BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

JUNE 1954

The Age of Faster Service

Timely Monetary Policy

Their Agencies Operate The Examiners' School

(pages 3 and 51)



Just two weeks before, the renter of this safe deposit box had had access to it. Now, the the box had disappeared.

How? To this day, no one has ever discovered. But the renter entered a claim against the bank for the contents, an amount in excess of \$50,000.

In a now famous court decision, the bank was found liable. Fortunately, however, at the suggestion of an alert representative of the Ætna Casualty and Surety Company, the bank was carrying Comprehensive Safe Depository Liability Insurance. As a result, it was reimbursed for practically the entire amount of the loss.

Frequently, this is the type of "impossible" loss that banks overlook in planning their

insurance. The Ætna Plan — pioneer system of risk and insurance analysis — provides the ideal way to make sure *your* bank has the right protection in the right amounts.

For, using this modern, highly efficient Plan, your Ætna representative will analyze the risks you face and recommend the types and amounts of coverage you need. In addition, he will set up continuing controls to keep your program always in line with changing requirements.

Through the Ætna Plan, thousands of banks are now enjoying better, more complete protection. For details on how the Ætna Plan can help *your* bank, contact the representative of the Ætna Casualty and Surety Company in your community.

ÆTNA CASUALTY AND SURETY COMPANY

AFFILIATED COMPANIES: ÆTNA LIFE INSURANCE COMPANY

AUTOMOBILE INSURANCE COMPANY . STANDARD FIRE INSURANCE COMPANY

HARTFORD 15, CONNECTICUT



H

I

U

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

CONTENTS FOR JUNE 1954

Some material belongs in several different classifications but for your convenience is usually listed under one heading only

HERE AND ABROAD	1	OPERATIONS AND PERSONNEL	
THE OUTLOOK AND CONDITION OF BUSINESS		THE AGE OF FASTER SERVICE C. M. Weave	r 34
William R. Kuhn	s 33	METHODS AND IDEAS	46
THE MONTH (Pictures)	36	A SCHOOL FOR BANK EXAMINERS John L. Coole	y 51
TIMELY MONETARY POLICY Prescott Bus	h 37	UP TO DATE BANK AUDIT AND CONTROL	, 02
A HARD LOOK AT EASY MONEY E. Sherman Adam	s 39	Charles A. Agemia	n 58
Washington (Banking Bills, Housing, June Financing) Lawrence Staffor	d 41	STOPPING NOT-YET-STARTED EMBEZZLEMENT L. K. Elmo	re 78
THE A. B. A. Position on Mortgage Credit	42		
GOLD TRADING MOVES TO LONDON Herbert Bratte	r 44		
CANADA'S ORDERLY READJUSTMENT C. M. Sho.	rt 45	GENERAL NEWS	
PEOPLE		Stonier to Retire January 1—Selecman Chief Executive Officer	54
JUST A MINUTE	3	Banking News	84
HEARD ALONG MAIN STREET Theodore Fisch	er 20	Instalment Credit	88
		Savings	89
INVESTMENTS		Mortgage Credit	90
GOVERNMENT BONDS Murray Olypha	nt 56	Trusts	92
INVESTMENT MARKETS H. Eugene Dickhun	th 57	CALENDAR	95
TAXES—TRUST—LEGAL UNIFORM COMMERCIAL CODE (VII) Thomas B. Pate	on 74	AMERICAN BANKERS ASSOCIATION AMERICAN INSTITUTE OF BANKING GRADUATE SCHOOL OF BANKING 110, 13	84-95,
BANK LAW NEWS John René Vince	ns 80	STATE BANK RESOURCES' NEW HIGH	110
News for Trustmen	92	IBA Holds 20th Annual Convention	132
THE COMMON TRUST FUND IN A MEDIUM-SIZED		New Books	138
TRUST DEPARTMENT Guido J. God	res 96	Business Aids	140
ADVERTISING—PUBLIC RELATION AND EDUCATION	NS		
TV FACTS FOR BANKS Rudolph R. Fich	tel 14	THE COUNTRY BANKER	
PUBLIC RELATIONS	48	News for Country Bankers Mary B. Lea	ich 64
HOME-MADE DISPLAYS Julian Mary	ell 40	THE FARM-MORTGAGE DEBT Norman I. W	all 68



Follow through...

One of the secrets of success is "follow through." The ability to see projects through to a conclusion is often a more important business ability than launching them. Time and money have gone into getting the "just right" design for your bank's checks. Follow through by having your checks lithographed on La Monte Safety Papers. Thousands of bankers have found that the safety and fine appearance of checks lithographed on these fine papers earn approval from the most discriminating customer. Why not ask your lithographer for samples or . . . write us direct.



Thousands of banks and many of the larger corporations use La Monte Safety Papers with their own trade-mark or design made in the paper itself, Such individualized check paper provides maximum protection against both alteration and counterfeiting—makes identification positive.





La Monte SAFETY PAPER FOR CHECKS

GEORGE LA MONTE & SON, NUTLEY, NEW JERSEY

Just a Minute

June

What are so rare as the Days of June—and some of its Weeks?

Old Maid's Day is June 4, and on the 6th we celebrate Son's Day and International Shut-In's Day. Expectant Father's Day is the 19th; experienced dads have theirs on the 20th.

June is well equipped with Weeks. Let's Play Tennis Week begins the 12th, National Swim for Health Week and National Bow Tie Week share the 20-26 dates, while National Iced Tea Time—waiting for warmer weather, no doubt—extends from June 21 to July 20.

As a Month, June doesn't do too well. It's only Dairy Month and National Ragweed Control Month. This report has omitted Flag Day, Confederate Memorial Day and Jefferson Davis' Birthday, Whitsunday and Children's Sunday. You knew about them, anyhow.

The Banker's June

In the banking calendar, June is a busy month.

It brings the resident session of The Graduate School of Banking conducted by the American Bankers Association at Rutgers University, and the annual convention of the American Institute of Banking.

This year's campus meeting of the G.S.B., June 14-26, is the 20th. For the A.I.B., meeting in Los Angeles, June 7-11, it's Convention No. 52.

Many state bankers associations



"I think it was mean of him to start that little bank right in front of theirs!"

also hold their annual conventions in June. Are you going to yours?

Compound Interest Never Forgets

You've heard, perhaps, about the \$26 Connecticut Yankee Frederick Sheffield deposited in the Middletown Savings Bank 110 years ago, and then forgot. Today the account is worth about \$3,100.

(CONTINUED ON PAGE 5)



THIS MONTH'S COVER

Here are the heads of the Federal supervisory agencies that cooperate in conducting the Inter-Agency Bank Examination School, which is the subject of a feature article on page 51. You recognize them, of course: The Comptroller of the Currency, Ray M. Gidney; the Chairman of the Board of Governors of the Federal Reserve System, William McC. Martin, Jr.; and H. Earl Cook, chairman of the Federal Deposit Insurance Corporation. The photo was taken in front of the Woodrow Wilson bas relief in the lobby of the Federal Reserve Building where the School meets

BANKING

The Staff

Editor	WILLIAM R. KUHNS
Managing Editor	WILLIAM P. BOGIE
Senior Associate Ed	litor JOHN L. COOLEY
Associate Editor	MARY B. LEACH
Associate Editor	THEODORE FISCHER
Assistant Editor	ETHEL M. BAUER
Assistant Editor	RUTH E. BUCKWELI

Advertising Manager JOHN J. McCANN

Assistant Advertising ROBERT J. STIEHL
Managers John R. Prann

Eastern Representative WILLIAM E. MOHAN

Circulation Manager ROBERT M. ROHRBACH







BANKING is a member of the Audit Bureau of Circulations, the Magazine Publishers Association, Inc., and the Society of Business Magazine Editors

ATITLE REGISTERED U. S. PATENT OFFICE
BANKING—Vol. XLVI, No. 12. Published monthly
at 5601 Chastnut Street, Philadelphia 39, Pa.
Copyright 1954 by the American Bankers Association, Harold Stonler, Executive Vice-president,
Merle Selecman, Executive Manager, 12 East 36th
Street, New York 16, N. Y., U. S. A.

Send Editorial, Subscription and Advertising Communications to 12 East 36th St., New York 16, N. Y., U.S.A. Chicago office (John J. McCann), 33 South Clark Street, Chicago 3, Ill.; Washington office, 719 Fifteenth Street, N.W. Subscriptions: \$5.00 yearly; Canada, \$5.50; foreign, \$6.00; single copies, 50 cents. Entered as second-class matter at the Post Office at Philadelphia, Pa., under the Act of March 3, 1879. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.

ING

"Protect your travel cash with American Express Travelers Cheques. Buy them at any bank."

AMERICAN EXPRESS

THE MELS travel-minded readers of Mels Can Magazine

In issue after issue, American Express directs The American Magazine's huge travel audience to buy American Express Travelers Cheques at banks. Through consistent advertising American Express produces more new prospects for your bank and for your other banking services among The American Magazine's 10,230,000 devoted readers.

THE AMERICAN MAGAZINE MOVES AHEAD IN TRAVEL

• in editorial pages • in number of advertisers • in advertising space

Travel Advertising Revenue for The American Magazine, first quarter of 1954, showed a gain of 9.1% over 1953—demonstrating the confidence travel advertisers have in the results to be obtained through advertising in The American Magazine.

The Crowell-Collier Publishing Company, 640 Fifth Avenue, New York 19, N. Y.,
Publishers of The American Magazine, Collier's, Woman's Home Companion and Collier's Encyclopedia.

女

+

女女

大女

女女女

*

女女

六大

*

*

1

this

div

tole

wh vis

ing

ask

tizi

sai

for

hui

the

sav

wr

ing

Ju



In the Middletown Savings Bank on "TV Day." President Howard B. Smith, behind the counter, is showing school children the old Sheffield account

(CONTINUED FROM PAGE 3)

HOWARD B. SMITH, president of this old Connecticut bank, has a modern sequel to this thrift tale.

"The story of the account, generally believed to be the oldest individually owned bank account in the country," he says, "has been told over and over, especially to school children who frequently tour our bank. Last year it was revived in our daily newspaper and the wire services picked it up. Lowell Thomas saw it in a New York paper at a time when he was planning a new television show based on human interest stories from America's crossroads.

"One of his Columbia Broadcasting System associates called me and asked if I had any ideas for dramatizing the story for television. He said Mr. Thomas liked it and would use it in his new series being filmed for sponsorship approval if it could be adapted for television showing.

"I had to think fast. 'How about huilding the story around a tour of the bank by a group of school savers?' I asked. 'Fine, that's just it,' he replied. 'I'd like to send a writer up tomorrow.'"

The writer came, made some notes, and went back to New York. Three weeks later, on a Friday, he phoned to say a TV crew would appear Monday morning for two days of shooting.

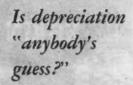
"Of course," continues MR. SMITH, "the arrival of the television crew received considerable publicity. In addition to this group and its bulky equipment, we had one of the busiest days in our 129-year history. Depositors kept coming in all day, attracted, no doubt, by the glamor of TV—and sometime during the afternoon we soared past our \$30,000,000 mark in deposits."

The bank had planned to make a big event of that accomplishment, but in the excitement it passed unnoticed.

The TV crew's second day in the bank was high-lighted by filming a comparison of the original deposit and the current value of the account. While the cameras recorded the action and amazed school children looked on, President Smith piled a stack of 26 silver dollars on his desk, representing Frederick Sheffield's deposit 110 years ago. Then he poured out 3,077 one-dollar bills "as concrete evidence of the magic of compound interest and the importance of saving early in life."

The Sheffield Story

"While the television cameras recorded this story on those warm Spring days in 1954," says Mr. Smith, "I couldn't help thinking about that 19-year-old boy who made it all possible. It was a bitter cold



Depreciation is an important and measurable element in determining costs, profits, and taxes. Through property analyses and remaining life studies, the factor of variance in measuring depreciation may be reduced to a very narrow range.

The AMERICAN APPRAISAL

Over Fifty Years of Service

OFFICES IN PRINCIPAL CITIES

AA Company



COIN CHANGER

"The Lowest Priced Modern Changer'

Over one quarter of the nation's leading banks now using. More than 450 in use in one large Western bank chain. Simplifies change handling. Sturdy aluminum, gray hammertone finish. Parts and workmanship guaranteed.

A TRIAL WILL CONVINCE YOU. See your dealer or write factory for 15 day free trial.

With roll-out base—\$22.50 extra, plus tax. (Model 1107 with silver dollar key—\$70, plus tax)

dollar key-570, plus tax)

METAL PRODUCTS ENGINEERING, IN
4000 Long Beach Ave., Los Angeles 58, C

CING



For, in addition to streamlining collection and stimulating student interest, the currency bag acts as a good will ambassador... building future customers for the bank and stimulating much parent inquiry.

Rifkin currency bags have become an integral part of countless school savings plans...just as they have become an integral part of bank business. Today, Rifkin coin bags, zipper wallets, Safety Sacs with Arcolock® for night depository use . . . handsomely "Nu-Art" printed or embroidered with individual insignia . . . are filling many varied banking functions.

We invite you to call on our 60 years of experience to streamline your night depository service, celebrate a bank event, or promote new business.

PATENTED

ARCOLOCK

ARCOLO





Write for free literature to:
A. Rifkin & Company, Wilkes-Barre 6, Pa.

January day in 1844 that he roge 30 miles through the snow on horseback to open an account in a savings bank that had started 19 years earlier in an old oaken cupboard brought over from England.

"His first deposit was \$8 which he had earned working in his father's store. When school children come to our bank now, and I show them the original entry in this account in our old bound ledger, I point out how important saving was to young Sheffield.

"He came back about six months later to deposit \$18. Soon after, he moved to Utica, N. Y."

Subsequently Sheffield, moving around the country, became president of a bank in Dubuque, Ia., and when the cashier absconded with \$200,000, liquidated his own business holdings and paid every depositor in full.

"During these lean years," recalls MR. SMITH, "he apparently forgot his deposit in the Middletown Savings Bank. In 1902, while looking through some belongings, he found the old passbook and sent it with a beautiful letter to a grandson named in his honor. It was then worth \$508.35. In 58 years the account had multiplied 19½ times.

"His grandson has followed the grandfather's policy of neither adding to nor drawing from the account. It has now increased 118 times to \$3,077.05. And if the Sheffield family permits it to remain in the bank another 100 years, it will be worth \$47,500, or 1,826 times its original value.

"Fred Sheffield forgot the account
—but the account never forgot him."

(CONTINUED ON PAGE 11)

"I suggest we inaugurate a better private relations policy at home by knocking off these public relations meetings at a decent hour"





roge rseings

ear-

hich

er's

hem ount out

nths r, he

ving resiand with iness or in

Sav-

king

ound ith a

amed

worth count

the add-

ount.

amily bank worth ginal

count

etter e by

KING

MATIONAL HOME MORTGAGES ARE SOUND LONG-TERM INVESTMENTS

Owners of NATIONAL HOMES enjoy LOW MAINTENANCE COST



National homes' first cost is less—they also cost less to live in. They are economical on fuel, utilities, upkeep. Expertly engineered, using top quality "brand name" materials and equipment, they assure many long years of thrifty comfort. Investigate the many advantages offered by National mortgages for your investment program.



National Homes builder-dealers can erect a National to suit any family need or income. Brochures showing newest designs and floor plans will be sent on request.

O N. H. C. 1954

Nation's Largest Producers of Quality Homes



Meet the



The low-cost, compact Micro-Twin takes up a minimum of space . . . can be used on any desk or table . . . or can be obtained with a matching operating standards it is pictured in the illustration below.

MICRO

Bell & Howell

Burroughs



sensational new Acro-Feeder* will le documents of intermixed sizes n takes fast as an operator can prepare the trial to be recorded. Rapid feeding accurate spacing are all automatic. stand*

e used

be ob

The Micro-Twin reading screen assures sharp, brilliant image even in broad daylight . . . provides wide-angle vision. Facsimile prints can be made quickly and easily-directly from film in the reader.

The indexing meter is the last word in rapid document location. As many as 999 positions can be indexed on each 100' roll of microfilm. No other film indexer provides such rapid document location.

TWIN

a new microfilm in one unit!

The Micro-Twin is a unique combination recorder and reader that brings microfilming within the reach of all. It is designed and priced to meet the needs of many concerns that have wanted the advantages of microfilming but have so often found the initial equipment cost too high.

The new Micro-Twin with 37 to 1 reduction ratio provides 8-mm. photography on 16-mm. film for maximum film economy . . . handles documents up to 11 inches wide by any length . . . records fronts and backs of documents simultaneously and side by side on the full film width . . . or photographs fronts only down one side of the film and up the other. Just one cent gives you completed film records of as many as 74 check-size or 29 letter-size documents! The new automatic Acro-Feeder,* exclusive indexing meter, film speed indicator, copy classification indicator, plus every modern protection feature, combine to make the Micro-Twin extremely simple and easy to operate . . . assure you of the very best microfilming performance at rock-bottom cost.

For work requiring maximum detail . . for documents that are originally hard to read . . . the Micro-Twin with 24 to 1 reduction ratio is also available.

Find out how you can enjoy the spacesaving, time-saving benefits of microfilming with the new Micro-Twin. Make a date to meet the Micro-Twin personally at your local Burroughs office. Or write Burroughs Corporation, Detroit 32, Michigan.

*Available as an optional feature.

Wherever there's business there's Burroughs





CARL W. HAYDEN, Vice-President in charge of National City's Branches in Great Britain boards a bus outside the Bank of England. Mr. Hayden is one of the team of more than 5,000 Citibankers overseas prepared to share their experience and information on world-wide economic conditions, finance, and trade, and to help your clients develop markets abroad.



LARRY BAKER, MANAGER of the Bank's Hudson Street Branch, right, examines grape shipment in a huge New York produce market in his Branch territory. Each of the Bank's 128 Domestic and Overseas Branches is located in a commercially important center, and like Baker, each Branch Manager knows his community and its businesses. Their intimate knowledge of the areas and industries they serve is another National City "plus" factor.

AT A BROOKLYN CHEMICAL PLANT, Walter W. Jeffers, National City officer, center, the Bank's chemical industry specialist, and a member of the company's controller's department watch an experiment. Though this plant is normally serviced by one of the Bank's Brooklyn Branches, Jeffers' specialized knowledge of the entire industry helps us to better serve the company's banking needs. Many National City officers are specialists in various industries. As a National City correspondent their experience is available to you to help you help your customers.

WORLD-WIDE SERVICE THROUGH ONE NEW YORK CORRESPONDENT

As your New York correspondent, National City offers unparalleled domestic and world-wide banking service.

With 71 Branches in Greater New York ... 57 Branches in nineteen countries overseas ... correspondents in every State of the Union and every commercially important city of the world ... high-speed, modern, efficient operating departments ... and over 142 years of banking experience, National City gives its correspondents the facilities to meet any banking problem.

This world-wide service is available when and as it is needed through experienced officers with intimate knowledge of each correspondent's territory.

National City's officers and staff, numbering more than 14,000, stand ready to serve you.

THE NATIONAL CITY BANK OF NEW YORK

Head Office at 55 Wall Street, New York

First in World Wide Banking

Around-the-clock Transit Service • Collections • Credit Information
Bond Portfolio Analysis • Dealers in State and Municipal Bonds
Participation in Local Loans • Safekeeping • Complete Foreign
Facilities • Personalized Service • Complete Metropolitan New York
Branch Coverage

Member Federal Deposit Insurance Corporation







GEORGE S. MOORE



TH (Ma Hen not reco pers B to I tom syst as t

"Sa

"Pa

"Sh

"Lo

lool

with

CAF

But

Eas

to :

me

pla

Caj

I. HOWARD LAER

EXECUTIVE VICE-PRESIDENTS Leo N. Shaw, Overseas Division, George S. Moore, Domestic Division, and J. Howard Laeri, Domestic Branch Division, head the three-pronged operation which puts National City correspondents in intimate touch with banking and business conditions everywhere.

"Good Looking, Red Hair"

THE first treasurer of the Chicopee (Mass.) Savings Bank was one Henry J. Harris who, a century ago, not only jotted down the financial records of his depositors, but their personal characteristics as well.

Brother Harris apparently wanted to be sure he'd remember the customers. And he probably did, for a system that provided such notations as these couldn't have failed:

"Nasty mole at side of chin." "Sandy hair." "Searred right cheek." "Partly bald." "Talks through nose." "She's good looking, red hair."
"Looks like an Italian." "She is 35, looks older, and her husband came with her." "Full lips, mouth, has a depressed look."

The bank's president, Nelson B. CARTER, read from the Harris secret file at the bank's centennial dinner.

The Note Was Due -**But So Was Easter**

pany's

rmally

know.

nking

As a

p you

ik

aral-

nine-

f the

1..

and

s its

eded

each

,000,

RK

ation Bonds

oreign

York

ge S.

vision, ndents

MAYBE it's a little late for an Easter item, but this one from the Washington Sunday Star is too good

"A woman customer who failed to meet a payment on her note explained it this way to the National Capital Bank:

Yes-I know the note was due, But things for Easter were waiting, too:

Now Easter is coming 'P.D.Q.'-It won't wait-Kindly will you? Now-I know this isn't quite right, But won't you understand my plight; The Easter things are Not For Me-But rather for little kids, you see-Kids who could not understand That notes come due before a frock so grand . . .

So bear with me a week or two, Then I will double the amount that's

Thank you so much and feel proud to sav

That you've made some kids happy for Easter Day.

"Bank officials," added the Star. "were willing to go along, as long as other borrowers didn't get the idea that notes could be paid off in poems."

A Day's Work

A DAY in a bank makes quite a story, especially when it's told with good pictures and just enough text to keep the reader interested.

Mellon Bank News, published by Mellon National Bank and Trust Company, Pittsburgh, recently issued a special edition, "In the Course of a Day," which chronicles, mostly in pictures, the dawn-to-dusk activity of a typical 24-hour cycle.

"Our view of the bank around us each day," says Editor ARTHUR KOSCHNY, "is, for most of us, limited by the walls of our department and office. We planned this special ediPrecision Manufacturers of PASSBOOKS for-

Commercial Accounts Savings Accounts Loan Accounts

CHECK COVERS for-End Stub Checks Top Stub Checks Three-on-a-page Checks

Open End Thumb Cut Envelopes

A Complete line of— VINYL PLASTIC CHECK COVERS and COMMERCIAL PASSBOOKS

SPECIALISTS IN PASSBOOKS AND FORMS FOR MACHINE POSTING

Write for samples and prices today !



1270 Ontario Street - Cleveland 13, Ohio

Wherever Money is Wrapped!

TUBULAR COIN WRAPPERS outsell all others for machine and hand filling. Open easily to firm, round, uni-



May be imprinted -Heavy duty Kraft

25¢, 50¢ - Pennies, Red \$1, \$2 - Nickels, Blue \$2, \$3, \$5 - Dimes, Green \$5, \$10 - Quarters,

Orange \$10, \$20 - Halves, Brown

STANDARD PAPER GOODS MFG.CO. WORCESTER 8, MASS. Complete Line of Money Wrappers

Part of a page from "In the Course of a Day"







FOR SOME - THE DAY IS



.. there's a Valley Bank Office serving the area!



ARIZONA'S STATEWIDE BANK
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Keep your business dealings with Japan

AS FIRM AS FUJI

The FUJIBANK Ltd.

Head office: Chiyodaku Tokyo
184 Branches throughout Japan

Overseas

London Branch: 1/4 Copthall Chambers, Angel Court, London, E.C. 2

New York Representative office: Room No. 702, 61 Broadway, New York, N.Y.

Calcutta Representative office: 6th-Floor, Mookerjee House, 17 Brabourne Road,

Calcutta-I

tion to be a means of expanding that view. In doing this we do not picture every unit and person in the bank, nor do we cover every job that is done. Instead, we try to show, by illustrative example rather than detailed listing, the type and scope of the activity in Mellon Bank during any normal day."

The scores of photographs on the $8\frac{1}{2} \times 11\frac{1}{2}$ pages are evidence that Editor Koschny and his photographers were good samplers. In the course of this day you see a guard adjusting his collar at 7:45 A.M. in the locker-room, the vault custodian waiting for the door to open, tellers preparing their money drawers, the mail sort, the day's first customers. Then, as the clock moves around, you see the service and operating departments at work. A page of "after 5" shots concludes the story.

Essay Contest

Under auspices of the American Foreign Service Association, the Foreign Service Journal is conducting a \$3,850 prize essay contest to promote thinking on how American official representatives abroad may be best organized and developed to carry out the foreign policy of the United States.

The subject is: "The Organization of American Representation

Abroad." Details are available at the Foreign Service Journal's office, 1908 G Street, N.W., Washington, D. C.

By the Way . . .

The only thing you lose by politeness is your seat in the bus.

When you try to get something for nothing, you can't complain about the quality.

When a person's first love is himself, he never finds a good successor.

Some men rise to the occasion; others blow up.

Laugh and your wife laughs with you; weep and her nose gets red and shiny.

A man may wear a stiff top hat and still be soft on top.

You get paid for what you know and you pay for what you don't know.

Even the head of a pin knows enough to keep it from going too far.

The young Brogans—Marty, 3, Pat, 2, and Mary Louise, 6—enjoy the literature supplied by the children's corner of a Toledo Trust Company branch. Mary Louise is reading "Peter Penny and His Magic Dollar," published by the American Bankers Association





Few bankers realize how much this kind of "legal embezzlement" can cost the bank.

Legal Embezzlement?

How else would you describe the quiet daily "theft" of time and money that old-fashioned "hunt and pick" card filing systems cause in a bank?

CHECK FOR IT in your bank, tomorrow! Watch those drawer files, tub files and any other time wasting files that contain active records the bank uses constantly.

See how much of your customers' time as well as your clerks' time and energy they steal. Add up the cost of this hopping and hunting. Figure in the resulting clerk fatigue, inefficiency, errors. That's what you'll save with Revo-Files.

Modern Revo-Files eliminate lost time, lost motion . . . instantly "turn up" needed records! Improve customer relations.

Here's a proved way to give your clerks finger-tip control over thousands of

signature cards, credit cards, mortgage records—any records the bank uses constantly. Revo-Files "round them up" into compact, mobile units your clerks use with utmost efficiency—from an easy sitting position. No costly transposition job necessary. You use the same records you have, now.

If your bank has 3,000 or more active cards, it will pay you to check the reasons why other leading banks and businesses are turning to Revo-File: the increased efficiency . . . reduced costs . . . the savings in time and money. Mail coupon, today, for free illustrated folder. It'll open your eyes!



REVO-FILES may be used singly, or in batteries. Variety of models available, including manual, automatic electric selection and "high boy" types. All standard card sizes accommodated.

revo-file

WORLD'S FINEST ROTARY CARD FILE

Another product of

Mosler Safe -

	e M																										
Pl	ease vo-F	send	d r	ne rld	yo 's f	ur	fr	re	il	lus	tr	ate	ed	fe	old	er	8	iv	in	g	fu	11	-	de	ta	ils	
NA	ME.															PC	s	ITI	10	١.							
BA	NK.																										
AD	DRE	SS.																									
CI	ry												Z	NC	E.			ST	AT	E							

MAIL COUPON, TODAY, FOR FREE ILLUSTRATED FOLDER!

ING

on.

**

po-

ing ain

im-

on;

oith and

hat

now on't

too

re

ni-

TV Facts for Banks

Mr. Fichtel is secretary of the Public Relations Council, American Bankers Association.

Since the summer of 1946 when the first bank ventured into the then unexplored regions of television, the A.B.A. Public Relations Council has watched with active interest the growth and impact of this new mass communications giant.

Like the now-famous men of the law on "Dragnet," the Council has been "just getting the facts, ma'am." Its approach has been one of investigation and inquiry—a constant search for the facts on television as a bank medium of communication and education.

Immediate objectives of the Council's investigative work in television have been to establish contact with sources of TV information; to build up a store of TV knowledge; to explore present and future TV potentialities; to keep informed on bank TV activity; to keep members up to date on TV developments and opportunities. Ultimately, the Council goal is to supply how-to-do-it information on arranging, producing and promoting TV for banks.

Decentralization Policy

Underlying the Council's immediate and ultimate TV objectives is a public relations philosophy of decentralization. The attitudes and actions of people toward banking are fundamentally determined and influenced by what individual banks do and say in the local communities. Therefore the basic job of public communication and education must be done by the banks themselves. It's a job of local delivery. The A.B.A. can encourage and stimulate better delivery by furnishing the information, the opportunities, and the tools that will help the thousands of individual banks plan, perform and communicate more effectively in their own communities.

To find the facts about TV, the Council has gone to the banks as well as to the experts. Several of the bank advertising surveys, conducted annually by the A.B.A. Advertising Department since 1946, have in-

RUDOLPH R. FICHTEL

cluded questions on bank television. A special survey, devoted entirely to the subject, was made in 1953. The results of these studies have been reported to members by mail and in BANKING. This publication has also featured TV articles, including case histories and success stories.

The Council Experiments

Earlier this year the Council decided to supplement its fact-finding activities with actual television experience, and began to cast about for an appropriate experimental vehicle. The right opportunity was found in the Georgetown University Forum of the Air-a weekly program regularly televised in Washington, D. C., and within a radius of 50 miles. This program is also occasionally seen on other stations of the DuMont Network (Channel 5), and broadcast by transcription over approximately 70 independent radio stations beamed at more than 30 states. The point of origin is Station WTTG.

The Georgetown Forum was founded in 1946 for students. Its purpose was "to bring to the attention of Georgetown men the questions and problems of the day clamoring for solution." An immediate hit, the Forum was subsequently put on radio as a public service for listeners in the District of Columbia and Virginia. Gradually more radio stations made the Forum a feature of their educational and public service programs. In addition, various colleges in other cities used tape recordings and reprints for study

and discussion groups. Since June 1951 the Forum has appeared successfully on television. Its aim today is "clarification, not controversy."

The Show

On May 6 the Council experiment in television went on the air for a half hour, beginning at 7:30 P.M. It took the form of a panel discussion on banking. In addition to the regular moderator, Matthew Warren, participants included Harold J. Marshall, executive vice-president of the Manufacturers National Bank. Troy, N. Y., and Philip Woollcott, president of The Bank of Asheville. Asheville, N. C. Mr. Marshall is chairman of the Council's Public Education Committee, Mr. Woollcott is chairman of the A.B.A. Instalment Credit Commission.

The moderator, who acted as a representative of the inquiring public, asked the questions. On-the-spot answers were given by Messrs. Marshall and Woollcott. Visual aids were used for background.

"What Are Banks For?"

Using the theme "What Are Banks For?" the aim of the program was to place emphasis on essential services provided by banks to the family and to the individual—bank services for better living. A corollary purpose was to demonstrate that bankers are not aloof but much interested in the individual's welfare.

General topics of discussion included convenience through checks, safekeeping, and currency; also financial help through loans, mortgages, consumer credit, and estate

(CONTINUED ON PAGE 16)

Harold J. Marshall



These bankers took part in the Georgetown Forum of the Air

Philip Woollcott



Look at the benefits

when the kitchen-laundry equipment in a mortgaged home is General Electric







une sucday

or a P.M. custhe Ward J. t of ank,

ott, rille, l is

ooll-

In-

s a oubspot faraids

was seramser-

lary

that

in-

are.

incks, fi-

orttate

ING

More stable values. General Electric equipment is dependable. For example: today there are more than 3,500,000 G-E Refrigerators in use 10 years and longer.



Preferred values. 55 out of every 100 women say they believe General Electric makes the best household appliances. These are figures from impartial national surveys.



More willing to meet payments. The homeowner and his family appreciate the timesaving and worksaving G-E appliances, take more pride in their investment.



Lower operation and maintenance costs of General Electric kitchen and laundry appliances can help to offset the home buyer's monthly payments.

Are you making the most of these finance plans?

The new home and the "Packaged Mortgage." When G-E equipment is included in a long-term "Packaged Mortgage," the added monthly cost to the mortgage is no more than that for a typical telephone bill.

Remodeled houses and the Open-end Mortgage. The same favorable, low monthly repayment terms are offered by including the value of the G-E Kitchen-Laundry equipment in the existing mortgage.

By making these most favorable repayment terms available, the homeowner is not obligated to heavy, short-term loans which may interfere with the regularity of mortgage payments.

You can put your confidence in-

GENERAL ELECTRIC



*"I mean I'm all out of checks to sort"

It's a fact! With the Todd Sort-O-Namic system sorting checks is so fast and efficient that any clerk can whip through the work in *half* the usual time, with 85% fewer errors.

Sort-O-Namic cuts down mis-sorts, mis-posts, mis-files. It reduces training time by 20%. The problem of deciphering illegible signatures is a thing of the past.

Get the facts about the Todd Sort-O-Namic system that cuts down internal errors, improves customer relations and puts more profit into bank operations.

THE TODD COMPANY, Inc., Dept. B Rochester 3, N. Y.	
Please send me complete information abothe Sort-O-Namic plan.	out OG G
Bank	COMPANY, INC.
Address	Todd
City Zone State	ROCHESTER NEW YORK
Ву	SALES OFFICES IN PRINCIPAL CIT
B-	6-54 DISTRIBUTORS THROUGHOUT THE WO

(CONTINUED FROM PAGE 14)
planning. These topics were considered within the framework of the
routine needs of families and individuals, emergency needs, consumer
credit, home building, and education.

Among the questions contained in the outline, which was prepared as a basis for the program, were:

In what way do banks serve the interest of the individual and the family?

Why do borrowers have to pay interest for a loan?

If banks charge interest on money they lend, why is it that they do not pay interest on money deposited in a checking account?

Why do banks make service charges on some checking accounts?
Aren't bankers' hours very short?
How does a person go about getting a loan from a bank?

Besides the transcription for radio, a special kinescope of the program was made for possible distribution and other use by the Council. A supply of mimeographed reprints of the proceedings was also obtained by the Council for utilization in its program of TV assistance to member banks.

Things to Come

This experiment, following a period of digging for the facts, is actually the first step toward the development of TV material intended for bank use locally. Plans are now underway to produce a series of scripts featuring dramatic need-problem-solution sketches on how banks help people in better living. Also in the planning stage is a new public relations manual with a tentative working title of "TV for Banks With Vision."

Some Conclusions

A continuing study of television has enabled the Council to reach some pertinent conclusions. For example:

(1) Television is growing rapidly. Sets exceed 27,000,000; stations number more than 200 and exist in over 150 cities. Local TV facilities are expanding. Recently there has been a great increase of TV usage in cities under 50,000 and in farm areas. It is reliably predicted that the next few years will witness the existence of more than 2,000 TV stations, including over 50 noncommer-

(CONTINUED ON PAGE 18)

YOU CAN REDUCE COSTS... RATHER THAN INCREASE SERVICE CHARGES!



plan experienced a tremendous saving in operator training costs and the number of operators required to do the complete job. Our use of this system and the LeFebure service and equipment has been very satisfactory.

"We post, maintain account balance, cancel the checks, file and pay to signature in one operation. The posted deposit tickets and checks are filed in convenient pockets arranged in posting trays.

"The trays are easily removed from our housing units for posting and are readily accessible for reference in the posting area. Great savings of space result since this housing replaces check files, statement and ledger files etc. necessary in other systems.

NO QUESTION ABOUT IT, MR. BANKER POST-TO-CHECK HAS ARRIVED!



idhe

diier

in

ay

ney

ice ts? rt?

ri-

eil.

ats

ed

its

oer

pe-

de-

led ow of ed-

ow

ng.

ew

en-

for

ex-

ns

in

ies

ias

in

rm

nat

he

ta-

er-

NG

"No question about it, Mr. Banker, Post-to-Check has arrived. Complete information is available, information resulting from actual experience with the system. LeFebure has a complete array of forms and equipment to afford the flexibility necessary to make Post-to-Check fit your needs exactly."

Systems and Equipment for America's Banks since 1894

Trained Representatives in most principal cities

FOR COMPLETE INFORMATION WRITE TO:

Le Febure

CORPORATION

CEDAR RAPIDS, IOWA

NAM	4E	OF	BAN	K

ATTENTION OF

CITY____STATE____



West Coast coverage with one bank

Business funds deposited in any Bank of California office are available, immediately, in all our other offices, in all three Pacific Coast states.

This immediate one-bank service can be especially helpful when time is of the essence in important transactions.

Back of this immediacy, of course, is the less dramatic, but equally important fact that each office of this eighty-nine year old bank is long-established in its area—thoroughly acquainted with area needs and opportunities, and with its business leaders. Naturally, our area information service is available to all our customers.

These, and other Coastwide services, are available to all customers of this bank.

THE BANK OF CALIFORNIA

NATIONAL ASSOCIATION

Incorporated in 1864

SAN FRANCISCO · PORTLAND · SEATTLE · TACOMA

SINGLE DEBIT SINGLE CREDIT

YORK RECORDS have revolutionized Mortgage Accounting ... save time and money for both investor and servicer ... and COST YOU LESS THAN 24 PER LOAN PER MONTH!

No question about it! In seven years these preposted mortgage records have won sincere praise among mortgage bankers everywhere. Installation of York Records quickly proves to even the most skeptical that former methods are as outmoded as the cigar store Indian. Prove it to yourself: check appropriate spaces below, clip this ad to your letterhead, and mail it to us today!

- () Send us your Single Debit Mortgage Accounting Procedures book. Price: \$1.00.
- () Send us your Single Credit Mortgage Accounting Procedures book, Price: \$1.00
- () Send us your free booklet, A Revolution in Mortgage Accounting, by return mail.
- () Send us your free booklet, Aspirin for the Mortgage Bankers' Eternal Headache.



YORK TABULATING SERVICE, INC.

227 EAST CLARKE AVENUE

YORK 4, PENNSYLVANIA

(CONTINUED FROM PAGE 16) cial educational stations. This trend of a growing market and growing facilities will bring more and more banks into the television orbit.

- (2) It is quite evident that banks are getting results from TV. The medium has been tried, tested, and found successful. Since this medium became available for sponsorship, over 250 banks throughout the nation have used some form of TV programming or are using it now The question of what TV can do for banks has been answered.
- (3) TV stations need new material. They have a great deal of sustaining (free) time to fill. Moreover, the Federal Communications Commission requires commercial stations to devote a reasonable amount of time to the public interest. It is estimated that approximately 4% to 6% of the total amount of TV broadcasting time in the United States is currently given to public service films. This is a rising trend—a big communications opportunity.

Two Main Problems

(4) Main problems confronting banks in respect to television are cost and lack of suitable material. The Council, within the pattern of its public relations decentralization policy, can possibly assist in the solution of these problems by providing TV ideas and tools for bank use on sponsored commercial time; for use on educational stations; and for public service or free-time use on commercial stations. Such material might include slides or film strips, sound films, other visual material and aids, general TV data, and scripts. It could be made adaptable to all types of shows, e.g., guest speakers, forums, panels, round tables, interviews, dramatic shows, and a combination of these. It could be used by individual banks, groups of banks, clearing houses, and A.I.B. chapters-all at the local level.

Much to Be Done

In the TV period ahead, the Council will continue to look, listen and experiment—always with an eye to helping member banks in the local communities. There is much more to be learned and to be done. The Council will strive to learn and to do it. It welcomes bankers' comments, suggestions, and questions.

There's More to This



Than Meets the Eye!

Behind this pleasing interior is a working arrangement planned and built for more efficient operation and greater customer convenience.

Since no two institutions are alike, it takes a specifically planned design to solve the problems of each. We can build a new structure—or modernize present quarters—to bring your institution greater efficiency, beauty and business.



Write today. Learn first hand what our years of specialized experience can do for you.

THE CUNNEEN COMPANY

Offices: PHILADELPHIA . 1225 Vine Street

PITTSBURGH . 82 Grant Avenue

LOS ANGELES . 727 W. 7th Street

S

0

of ne e k

.

d

3-

1.

le

st

s,

to

ne lo

S,

NG

Frank Totton Honored

PRANK M. TOTTON has resigned as vice-president of Chase National Bank, New York, to become director of the Presbyterian Foundation of America.

A testimonial was presented to MR. TOTTON at the recent meeting of the Executive Council of the A.B.A. at White Sulphur Springs, West Virginia. It reads:

"In recognition of 27 years of service in the official family of the American Bankers Association, as national president of the American Institute of Banking, as a member of the Executive Council, as a member of the Public Relations Council for years and its chairman since 1952, this testimonial of appreciation is presented to Frank M. Totton.

"Throughout all of his A.B.A. activities he has displayed a unique kind of brilliant and inspiring leadership wherein he has combined technical abilities with a fascinating sense of humor. These qualities have earned for him the respect, esteem, and affection of bankers all over the country.

"As a spokesman for banking, he has been a faithful interpreter of our place in the economy of the country

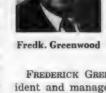
Heard Along

This department is compiled by Theodore Fischer of Banking's staff.

before business and professional people in all sections of the United States

"We hereby record our deep regret that he is leaving our field of banking. We shall always be grateful to him for his unselfish work for the Association. Our best wishes go with him as he assumes an important post in the religious life of the nation as Director of the Presbyterian Foundation of the United States of America."

The testimonial was signed by A.B.A. President Everett D. Reese, who made the presentation, and by Vice-president Homer Livingston, Executive Vice-president Harold Stonier, and Executive Manager Merle E. Selecman.





k. Greenwood R. W. Kimberling

FREDERICK GREENWOOD, vice-president and manager of the Portland (Oregon) office of The Bank of California, N.A., retired April 30 after 40 years in banking, 18 of which were as chief executive officer of the Portland office, Mr. GREENWOOD has been active in civic and banking affairs. He served three years as a member of the Executive Council of the A.B.A. and was president of the Oregon Bankers Association in 1934-35. ROGERS W. KIMBERLING Succeeds Mr. Greenwood. He too has been active in the Oregon Bankers Association as a member of its executive committee, and is an alumnus of The Graduate School of Banking.

A.B.A. President Everett D. Reese, second from right, presents testimonial to Frank M. Totton. Left to right, the A.B.A. officers are: Homer J. Livingston, vice-president; Sherman Drawdy, treasurer; Mr. Totton; Merle E. Seleeman, executive manager; Mr. Reese; Harold Stonier, executive vice-president



Goodwill Invasion

A BAND of Mexican troubadours invaded the executive quarters of Valley National Bank, Phoenix, Arizona, the other day and without warning started a serenade to President CARL BIMSON and Honorary Chairman W. R. WAYLAND. They explained that their impromptu concert was just an expression of international goodwill. The bank underwrites a lot of business between Arizona and Mexican merchants, manufacturers, and ranchers.

The Baltimore Branch of the Federal Reserve Bank of Richmond plans to add four floors to its 6-story building.

PARKES ARMISTEAD, president of First American National Bank of tl

V

b

N

H

o R V

Main Street





Allard A. Calkins

()

S

9

f

f

n

,

Ç-

ıt

i-

y

a-

iu-

d-

nd

of

of

NG

Paul E. Hoover

Nashville, Tennessee, was elected to the board of trustees of Vanderbilt University and appointed to the finance committee.

Calkins Retires

ALLARD A. CALKINS, chairman of the board and chief executive officer of the Anglo California National Bank, San Francisco, has retired, but will continue as a member of the board and of the executive committee. PAUL E. HOOVER, continuing in the office of president, becomes chief executive officer. The office of chairman of the board will be terminated.

MR. CALKINS was admitted to the state bar, served on the faculty of the University of California, and later saw action in Europe in World War I before entering banking in 1919. He became president of his bank in 1946, and chairman in 1951. MR. Hoover joined the bank in 1933 as a vice-president after having been a national bank examiner and a bank executive in the Middle West. He was elected a director in 1938 and has been president since 1951. He's a director of the Association of Reserve City Bankers.

HARRY F. HARRINGTON, president of The Boatmen's National Bank of St. Louis, has been named the first chairman of the President's Council of St. Louis University. The Very Reverend Paul C. Reinert, the university's president, in announcing the appointment said that "it is fitting that the president of the oldest bank west of the Mississippi join

with the oldest university west of the Mississippi."

Maritime Bovine

THIS story, which concerns lassoing a calf from a yacht, is probably more rare than a day in June or man bites dog.

GEORGE M. CLARK, president of the Pioneer Bank of Chattanooga, Tennessee, has a yacht. It was cruising down a canal which connects the Caloosahatchee River with Lake Okeechobee, in Florida. There, between steep banks, guests on Mr. CLARK'S yacht discovered a swimming calf. They herded it downstream to a place were the banks were less steep, lassoed the critter, and dragged it to safety.

Unknown to the rescuers, the calf's mother was watching the operation from behind some bushes. As they struggled to safe ground, mama cow promptly charged them. No casualties.

MRS. GERALDINE BROOKS, supervisor in the credit department of The Bank of Georgia, Atlanta, was



A unique 3-handled shovel is used to break ground for new building of City National Bank of Beverly Hills, California. Left to right, Irvin N. Clary, executive vice-president; Jay Kasler, president; and John S. Feary, vice-president and cashier

the first woman to be called for jury duty in Georgia after the recent passage of the law permitting women to serve on juries in the state.

BEN H. WOOTEN, president of the First National Bank in Dallas, Texas, has been reelected national vice-president of the United Defense Fund.

FULTON NATIONAL BANK of Atlanta has tried to lessen the pain of the necessary noises incident to the construction of its new building by erecting a big sign with this message: "Quiet please, listen to the riv-

Director S. Palmer Gaillard cuts cake in bank lobby at 25th anniversary celebration of American National Bank & Trust Co., Mobile, Alabama. At 98, Mr. Gaillard is Mobile's oldest practicing attorney. He and five others in the photohave been with the bank since its organization in 1929



It stands to reason

... that every bank's Blanket Bond
should be periodically reviewed to determine
if it is up-to-date in both form and amount;
... that the F&D is exceptionally well-qualified to
make such reviews—and make them mean something—
because of its 64 years of specialized
experience in this field.



AFFILIATE: AMERICAN BONDING COMPANY OF BALTIMORE





Robert Hail, Ir.

R. C. Leonard

eter's symphony." The bank says that "since the sign went up, almost everyone takes the noise with a grin instead of a grimace."

R. C. LEONARD has been elected vice-president and manager of the instalment loan department of Bank of New Mexico, Albuquerque. He formerly held a like position at Wyoming National Bank, Casper. ROBERT HAIL, JR., has joined the bank as collection manager in the instalment loan department.

SOCIETY FOR SAVINGS, Cleveland, Ohio, opened seven new branches on one day, May 3, through acquisition of the Bank of Ohio.

C. Boice Nourse has been advanced to vice-president at National City Bank of New York. He has served the bank many years in Colombia and Mexico and was more recently resident vice-president in Cuba. He is now with the overseas division at the head office.

E. Octave Perron, assistant cashier of the State Bank of Escanaba, Michigan, has completed 52 years with his bank and is believed to be the oldest bank employee in the state's upper peninsula. He began work in 1902 with Citizens Bank, which later became the State Bank of Escanaba. He says he has no intention of retiring for years to come. In the early days, with no clearing houses or reserve systems to draw on, the bank sometimes didn't have much ready cash. In such cases he was sent to well patronized stores or

(CONTINUED ON PAGE 24)

C. Boice Nourse









Lock Box H is a symbol of speed-

night and day, seven days a week

It's a synonym for fast handling—Lock Box H. Mail so addressed arrives at the Chicago Post Office directly across Clark Street from the Continental Illinois Bank, at all hours of day and night. And bank messengers pick it up at frequent intervals, night and day, every day of the week.

All items are promptly processed to take

every possible advantage of check clearing hours in Chicago and other cities, as well as schedules of outbound trains and planes.

Use Lock Box H envelopes to speed all your sendings. We will gladly send you a free supply on request. Please specify whether you wish air mail or regular envelopes, or both.

Continental Illinois National Bank

and Trust Company of Chicago

LOCK BOX H, CHICAGO 90, ILLINOIS

Member Federal Deposit Insurance Corporation

st

he he at er.

ıd.

on on

adas coere in

shba,

be the

an nk,

nk

inne.

ing

aw

ave

he

or

ron

ING



When time means money.

ENGINEERED CASH FLOW*

can help you make more efficient use of working capital

* A specifically designed plan to give you faster access to funds, and to speed their transfer where you need them. Write for details.

THE NATIONAL CITY BANK

OF CLEVELAND (1845) 623 EUCLID AVE.



Member Federal Deposit Insurance Corporation

HOW DO YOU WEIGH A BANKS

- · Discard the weights and measures. Forget about scales. Weighing a bank's value can be done in a moment. Just ask yourself, "What kind of service are they giving me?"
- · We think we are seldom found wanting in the weighing. Certainly our astounding growth over the past decade indicates that our customers like our service.
- · Should your client need assistance in this area, remember that Central-Penn stands ready to aid you-backed by more than 125 years of association with business and industry.

CENTRAL-PENN NATIONAL BANK

OF PHILADELPHIA

Member Federal Deposit Insurance Corporation Member Federal Reserve System

MAIN STREET (Continued)

saloons to cash checks so the bank could function. At no time was the bank on a creaky footing, and the practice was perfectly legal.

ROBERT H. ANDERSON has been named a vice-president of National Bank of Hyde Park, Chicago. He was formerly vice-president of The First Bank and Trust Company of South Bend. Indiana.

BURR S. SWEZEY, JR., vice-president of Lafayette National Bank, Lafayette, Indiana, was awarded the title of "Outstanding Young Man of the Year" by the local junior chamber of commerce. The award is presented annually to a young man who has contributed materially to the betterment of the community.

Because of its growth, the Bristol (Pennsylvania) Trust Company plans to change its name to DELAWARE VALLEY BANK AND TRUST COMPANY.

THE HANOVER BANK, New York. has opened its second office in London, at 15 Carlos Place, Grosvenor Square, a few steps from the U.S. Embassy.

FRANCIS L. MORITZ has been named assistant to the executive manager of the Missouri Bankers Association. He has been farm news editor and advertising manager of the Missouri Farmers Association and is a graduate of the University





Francis L. Moritz

John W. Raber

of Missouri College of Agriculture where he majored in agricultural journalism.

JOHN W. RABER was advanced to executive vice-president and secretary of The Green Point Savings Bank, Brooklyn, New York.

American Trust-100

MERICAN TRUST COMPANY, San Francisco, in connection with its 100th anniversary this year-April 27, to be exact—commissioned of California artist Millard Sheets two map paintings. One, entitled "The Pageant of History," was reproduced in full color in BANKING for May. The other is "The Panorama of Today."

AMERICAN TRUST COMPANY has seen much of history and of progress. "The pages of our history," says President James K. Lochead, "tell of banking service during the Gold Rush, the Civil War, two world wars, boom times, panics and depressions, the earthquake and fire -and the phenomenal growth of our state. If Northern California, (CONTINUED ON PAGE 26)

President Lochead cuts the 100th birthday cake of American Trust Company, San Francisco. Left to right are Senior Vice-presidents Harris C. Kirk, Dwight W. Chapman, Ransom M. Cook, William A. Marcus, Bradley B. Brown, and President James K. Lochead. A similar ceremony was held at each of the bank's 83 offices





You don't stand a ghost of a chance of selling a spook!

You may see an apparition . . . but you can't sell him anything. Markets are people. And a company's markets are built by getting sales messages into the minds of live prospects.

The best medium for communicating with prospective purchasers of industrial products is through the advertising pages of the business press. For, in these days of keen competition, executives are studying their business magazines . . . seeking ideas for cutting production costs . . . improving distribution . . . increasing efficiency. And they study the advertising pages as thoroughly as the editorial material. That's why, in making their market development

plans, progressive, profit-minded management provides for the use of business publication advertising. There is no faster, more economical way of building product recognition; of breaking down buying resistance; of expanding and developing new markets; and of extending and increasing the effectiveness of salesmen's time than by the use of business magazine advertising.

THAT'S WHY WE SUGGEST: If you have a financial interest or responsibility in a company, check to see that the company's management is using adequate Business Publication Advertising to build and protect its markets.

The McGraw-Hill Department of Economics' seventh annual survey of business' plans reveals interesting data on industry's planned capital expenditures for the next four years. The complete findings are available in a 16-page booklet titled, "Business' Plans for New Plants and Equipment 1954-57." We'll gladly mail you a copy.

McGRAW-HILL PUBLISHING CO., Inc.



330 WEST 42nd STREET, NEW YORK 36, N. Y.





HEADQUARTERS FOR BUSINESS INFORMATION

ure iral

to ere-

ngs

San

vith r ned eets tled

has rogry," ead, the

orld

defire

of

nia,

San W.

esi-

ING



Shown here is one panel of the 3-panel display entitled "A Tribute to the American Lawyer," presented by the Fort Worth National Bank to the Fort Worth Bar Association. Left to right are: Estil Vance, president of the bank; Allen B. Conner, president of the association; and Clyde E. Smith, Jr., Associate Justice of the Texas Supreme Court.

MAIN STREET (Continued)

in its history and resources, as they continually unfold before us, is remarkable, the spirit and the achievements of those who live here are still more so."

The bank was founded in 1854 as the San Francisco Accumulating Fund Association, and started life in a one-room office. In its first hundred years it has grown from one part-time employee to a staff of over 3,000 and deposits of well over \$1-billion. It has 83 offices in 43 Northern California cities. The name of American Trust Company came into being in 1927 and reflects a series of consolidations and acquisitions of banking institutions.

"AMERICAN TRUST COMPANY," says President Lochead, "now begins its second hundred years of banking service to Northern California and the people who make it great."

FIRST WISCONSIN NATIONAL BANK, Milwaukee, has embarked on a remodeling and improvement program which will cost some \$1,500,000. It should be completed around next March 1.

DONOLD B. LOURIE was elected a director of The Northern Trust Company, Chicago, filling the vacancy created by the death of A. Watson Armour, Mr. LOURIE took a

leave of absence as president of Quaker Oats Company early in 1953 to become Under-Secretary of State for Administration. He completed his job in Washington and resigned in March of this year.

Houston Retires

P. D. Houston, Sr., former A.B.A. president, has retired as honorary chairman of the First American National Bank, Nashville, Tennessee, after an active banking career embracing more than 63 years. Retirement came just two days after

his 80th birthday. He will continue as a director of the bank and will have an office in the bank's building.

MR. HOUSTON was active in the Tennessee Bankers Association through most of his banking career. His service in the American Bankers Association included many important assignments. He was treasurer in 1931 and 1932, in 1940 was elected to the A.B.A. presidency.

t HIII

Plans are for Mr. Houston to devote most of his time to his 800-acre farm where he raises prize cattle.

Editors Go West

FORTY-FOUR leading eastern and midwestern financial writers and editors were guests in mid-May of President S. CLARK BEISE of the BANK OF AMERICA, San Francisco, on a visit to California to get "an objective over-all view of California as a going concern."

The group arrived in San Francisco on Sunday, May 16, and devoted the following day to meeting the bank's management and the local press. A special dinner and panel quiz was staged that evening at the San Francisco Press and Union League Club.

On Tuesday the party started an escorted air tour of the entire state with stops for luncheons, dinners, and meetings at Eureka, Sacramento, Fresno, Bakersfield, El Centro, San Diego, and Los Angeles. Governor Knight honored the party at a dinner in the state capital.

Earl B. Schwulst, president of The Bowery Savings Bank, New York, cuts the ribbon to open the new escalator to serve subway passengers at Bowery's main office building. The new 4-foot-wide escalator has a capacity of 10,000 passengers per hour and will be open every banking day between 6 A.M. and 8 P.M. It serves the Grand Central subway station which is entered by 135,000 passengers daily



In extending the invitation, MR. BEISE advanced the suggestion that "the dynamics of our business, industrial, and agricultural life are substance for stories yet to be discerned and written."

lue

vill

ng.

the

ion

er

ers

ant

in

ted

de-

00-

ize

and and

of

the

0.98

an

nia

an-

de-

ing 10-

and ing

and

an

ate

ers,

ito,

San

nor

lin-

he

in

ers

In

ers

ING

Among those accepting the invitation are, from New York: A. L. Brophy, Associated Press; Eugene Dickhuth, Herald-Tribune; Hedley Donovan, Fortune; Bruce Forbes, Forbes; John Forrest, Times; W. N. Gillingham, Business Week; Leslie Gould, Journal-American; Harold World-Telegram; Wm. R. Bunce. Kuhns, BANKING; Malcolm Muir, Jr., Newsweek; C. Barron Otis, American Banker; Joseph Purtell, Time; Donald Rogers, Herald-Tribune; Raymond Trigger, Investment Dealers Digest; Michael Van Schlicht, Journal of Commerce; Elmer C. Walzer, United Press. From Boston: Charles R. Bennett. United States Investor. From Chicago: D. E. Cronin, Bankers Monthly. And financial editors and writers attended from newspapers in Boston, Philadelphia, Newark (N. J.), Hartford, Providence, Baltimore, Washington, Pittsburgh, Indianapolis, Louisville, Memphis, Cincinnati, Cleveland, Detroit, Chicago, Des Moines, and St. Paul.

Zimmerman Honored

THARLES F. ZIMMERMAN, chairman of the board of the First National Bank, Huntington, Pennsylvania, has been awarded a plaque in recognition of his "distinguished service as a member of the board of directors of the Chamber of Commerce of the United States of America.' The plaque cites his efforts in advancing "the progress of America and free men everywhere."

Mr. ZIMMERMAN has been in banking for 53 years. For 28 years he was secretary of the Pennsylvania Bankers Association and has served the A.B.A. on many of its councils, commissions, and committees.

In Talking Stage

OFFICIALS of the three California banks involved, authorized the following statement: "Informal discussions are taking place to explore a plan to merge The Bank of California, N. A., Crocker First National Bank, and California Bank, Los Angeles. Any plan which is formulated must be approved by the supervisory



Why 4 Out of 5 U.S. Banks Use **Cummins Perforators**

- Cummins Perforators punch holes in 20 checks at a time. Holes say "PAID", show date of cancellation, give ABA number.
- Holes can't be erased or altered. They're the only mark that lasts as long as the paper it's on.
- Holes are punched cleanly. There's no crimping that produces bulkiness and requires more filing space.
- Cummins Perforators are economical. You buy them. There's no continuing rent to pay. Maintenance costs are kept low by sturdy, precision engineering and easy die block replacement.
- Automatic actuation permits one-hand operation. It's easy to cancel 10,000 to 20,000 checks an hour on a single Cummins Perforator.
- Dates are easily changed by turning handy dials. There's no messy ink roller to replace or refill, no inky date dies to touch.
- Canceling checks with a Cummins Perforator is easy, pleasant, fast, clean, dignified. It's the modern way.

IN BUSINESS AND BANKS SINCE 1887 ummins



For full information, mail coupon or phone Cummins Business Machines sales and service offices in principal cities.

CUMMI	NS-CHICAG	o col	RP., B-6	4	
4740 N.	Ravenswood	Ave.,	Chicago	40,	111.

Please send full information on Cummins High Speed Perforators Endorsers

Name

Name of Bank...

Address of Bank.....



The embezzler armed with a pen is far more dangerous than any holdup man with a gun. Consider these startling facts:

- Bank embezzlements, now running about \$8 million a year, are double the 1948 figure!
- Since 1934, embezzlements have caused the financial difficulties of one out of every four closed banks insured by the Federal Deposit Insurance Corporation.
- A recent report by the F.D.I.C. showed that 16 out of the 19 bank mergers they aided during a six-year period, were forced by embezzlements!

All this emphasizes the need for you to re-examine your Blanket Bond protection to make sure that it meets today's greater risks. One of our Bank Specialists will be glad to help you — just call our agent* in your community for this service.

*If you're not sure of his name-write our Agency & Production Department.

AMERICAN SURETY

COMPANY

100 Broadway • New York 5, N. Y.

FIDELITY • SURETY • CASUALTY • INLAND MARINE • ACCOUNTANTS LIABILITY
AVIATION INSURANCE THROUGH U. S. AIRCRAFT INSURANCE GROUP
OF WHICH WE ARE MEMBERS

authorities and will be submitted to the stockholders of each bank for their approval."

THE BANK FOR SAVINGS, New York, has observed its 135th birthday.

Reese Attends Mexican Bankers Convention

A. President Everett D. Reese and Mrs. Reese attended the recent convention of the Mexican Bankers Association at Acapulco and were impressed both with the beauty of the place and the "graciousness and hospitality extended to us by the bankers of Mexico and their wives."

At the convention sessions, Mr. Reese was seated next to a banker who is fluent in English and thus was able to understand what was being said. The speeches, he tells Banking, "contained excellent material on most interesting subjects and were very well delivered. The Mexican people have so much color and personality, and this comes out when they deliver a speech."

B

luc

10.

zat

Ba

ors

pre

EOG

vio

A.

fre

na

19

ect

for

III

Co

Na

an

th

ag

SI

of

R

po

ho

N

N

m

Jı

The convention banquet, he reports, "was one of the most colorful events that I have ever attended. Nothing was left undone to make the event delightful and to see that everyone had a fine time."

Presidents of the A.B.A. are no strangers to the bankers below the border, and Mr. Reese feels that their visits helped smooth the way for him. He mentions particularly W. L. Hemingway, Francis Cocke, Harold Brenton.

Mr. Reese carried the A.B.A.'s greetings to the Mexican bankers. In his address he declared that "Banking has its ear closer to the economic ground than perhaps any other segment of business, and it can help to create a better understanding among our respective peoples concerning the complicated economic questions which arise not only within our own borders but in the relations between countries."

Mr. Reese expressed the hope that "the 32 banks here in Mexico that have joined the American Bankers Association have found their membership rewarding. You compliment us very highly by this demonstration of your friendship."

Banking is fortunate, indeed, to have received a most interesting letter on the trip from Mrs. Reese. It will appear in our next (July) issue.



to

ık,

n

D.

th he x-

118

as

lls

iaets

he

ut

·e-

ul

ed.

ke

at

no he

at

av

ly

re.

S.

he

ny it

r-

0-

ed

of

in

at

at

rs n-

nt

a-

to

t-

It

e.

IG

Barney J. Ghiglieri

Barney J. Ghiglieri, president of the Citizens National Bank, Toluca, Illinois, died suddenly on May 10. He was chairman of the Organization Committee of the American Bankers Association.

MR. GHIGLIERI was very active in organized banking activities. He was president of the Illinois Bankers Association in 1946-47, after serving as vice-president for two years. In the A.B.A., he was state vice-president from 1947 to 1949, inclusive, and national vice-president from 1949 to 1952. He was a member of the Executive Council (1946-49) and was for several years Illinois state chairman of the Treasury Savings Bonds Committee.

MR. GHIGLIERI helped to organize and became cashier of the Citizens National Bank of Toluca in 1919, and had been with the bank since that time. He became president in 1945.

CITY NATIONAL BANK of Anchorage, Alaska, has been admitted to membership in the Federal Reserve System and assigned to the territory of the Seattle Branch of the Federal Reserve Bank of San Francisco. This is the first bank in the territories or possessions of the United States to hold such membership.

DONALD R. JONES has been named assistant cashier of the Franklin National Bank, Franklin Square, New York, to assist in the development of branch operations. He is a graduate of Syracuse University and is now attending The Graduate

New
A. M. F. Collection Plan
Slashes "Float Time"

AIR MAIL

SECURITY-FIRST NATIONAL BANK OF LOS ANGELES P.O. BOX 45125 AIRPORT STATION

POUCH TO A.M.F. LOS ANGELES CALIFORNIA



Label you use in this new plan.

Security-First National's new and exclusive "A.M.F. Collection Plan" service speeds up presentation and collection of airmailed cash items as much as two days.

If your airmail transit shipment gets to Los Angeles International Airport by 9 o'clock any evening (except Sunday), over 90% of the dollar value involved will be presented for payment on the morning of the following business day!

The service accomplishes its remarkable timesaving through bypassing regular city postal sorting and forwarding operations—and requires a special arrangement to be made by each Correspondent bank with us, and by us with the Postal Transportation Service.

If "A.M.F. (Air Mail Field) Collection Plan" may be helpful to you, write, wire or phone Donald W. Henney, Vice President and Manager, Central Transit Dept.

Head Office: 6th & Spring Sts. Phone: MUtual 0211 SECURITY-FIRST NATIONAL BANK



The sensational Kodak Verifax Printer—distributed nationally by Recordak—lets you make 3 copies of a letter in 1 minute for less than 4¢ each.

A revolutionary discovery makes this speed and economy possible. You copy your office records on non-sensitized paper—instead of specially treated papers; and you get 3 or more copies—instead of one—from each sheet of Verifax matrix paper. Also, you expose your original only once!

Anyone in your office can operate the Verifax Printer after a few minutes' instruction. And under your present room lighting—another plus.

Your savings in retyping costs alone will soon exceed the surprisingly low price—\$240.



... see for yourself without the slightest obligation. Prompt service from any one of Recordak's 29 offices.

Recordak Corpo (Subsidiary of I		
Kodak Compan	0	4
444 Madison A	 1.3	
New York 22, I		
Gentlemen: Ple folder and addre		
Name		It
Company		

Price quoted is subject to change without notice.



The crowd at the opening of the new Madison Avenue Branch of The Union Dime Savings Bank, New York, stretches clear around the corner. This picture could have been taken at almost any time during the two-day opening celebration

School of Banking. He has had 14 years of experience with Chemical Bank and Trust Company of New York.

The man at the North Nashville branch of the FIRST NATIONAL BANK in Nashville, Tennessee, presented a bright yellow balloon to a lad named Johnny. The balloon got away from Johnny, but it was found—629 miles away in Toms Brook, Virginia. It sailed clear over the Great Smokies before the helium leaked out. The man who found it notified the bank, and The Nashville Tennesseean got a front-page story.

LEONARD C. SMITH, former Kentucky banking commissioner and later chancellor of Georgetown College, has been named vice-president of First National Bank & Trust Co., Lexington, Kentucky.

30.000 Visitors

Union Dime Savings Bank, New York City, opened its first branch, at Madison Avenue and 39th Street, and 30,000 people came to the 2-day opening. The bank offered an orchid and a plastic coin bank to each visitor. All who opened savings accounts for \$5 or more received ballpoint pens. Manager of the new branch is Herbert G. Zilliakus, assistant secretary. Assistant Secretary Ruth F. Irish is assistant manager.

More than a third of the visitors to the bank opened accounts. The statistics for the two days: 11,722 accounts; \$746,614.97 total deposits.

C. WENDELL HOLMES advanced to vice-president at State Street Trust Company, Boston.

(CONTINUED ON PAGE 126)

Just before the banquet at the 15th and largest Pacific Northwest Conference on Banking of Washington State College, Pullman, are, left to right: Prof. J. K. Galbraith, Harvard University; William McC. Martin, chairman of the Board of Governors, Federal Reserve System; William T. Faricy, president, Association of American Railroads; C. Clement French, president of the college; Frank M. Totton, then vice-president of Chase National Bank, New York. Mr. Faricy was a speaker; Mr. Totton, toastmaster





Clear Signal prints automatically on tape with first item following a total • Totals and Sub-totals obtained instantly by depressing bars—no space strokes required • True credit balance printed without extra motor operations or pre-setting • Over-size control keys, each plainly labeled, give direct "live" response.

Note also: Enclosed paper roll (only the part you want to see is visible) ... Simplified ribbon, tape changing... Quiet operation ... Light in weight, for easy movement ... Coloring matched to the Friden Calculator.

Here is the first adding machine made to fit and pace the human hand...the first American 10-key adding machine that shows you the ACTUAL ITEMS before they are printed on tape!

Addition — all your figuring — can be easier and simpler on the new Friden "Natural Way" Adding Machine.

In designing this new machine, Friden engineers were unhampered by existing dies or parts inventories. They were free to create the ideal adding machine, one without the faults found in conventional adding machines.

Ask your nearby Friden Man to bring in one of these new machines for you to look at and try! Friden sales, instruction and service available throughout the U.S. and the world.FRIDEN CALCULATING MACHINE CO., INC., San Leandro, California.

A PRODUCT OF

Friden

.. CREATOR OF THE FRIDEN

FULLY AUTOMATIC CALCULATOR
THE THINKING MACHINE OF AMERICAN BUSINESS

th to ed to gs ed ew as-re-

ors

the 22 its.

to

K.

of

M.

ING



STANDARD FEDERAL TAX REPORTS

For the man whose responsibilities demand that he have everything concerning federal taxes affecting business and individual taxpayers. Week in, week out, the STANDARD's informative issues rush to subscribers complete details on every new twist and turn of pertinent federal tax law, as it breaks. Featured are authoritative full texts of laws, regulations, rulings, court decisions, forms, and related facts and information—all explained and tied into the over-all tax picture with helpful, understandable editorial comments. Current subscription plan includes 8 "bring-you-upto-date" Compilation Volumes and companion Internal Revenue Code Volume.

FEDERAL TAX GUIDE REPORTS

Edited and produced particularly for Tax Men who must stay abreast of unfolding developments concerning federal income taxes of the average taxpayer, the ordinary corporation or individual. Swift weekly issues provide quick access to essential facts and information—changes in statutes, amendments, regulations, decisions, official rulings, and the like. Everything is designed to facilitate tax work. Subscription for the GUIDE includes two loose leaf Compilation Volumes replete with pertinent law texts, regulations, rulings, decisions, explanations, examples, charts, tables, check lists.

Designed for all concerned with drafting, qualifying for federal tax exemption, operating and administering employee-benefit plans, CCH's PENSION PLAN GUIDE carefully integrates all the controlling authorities to spell out their separate and com-bined effects on pension and profit-sharing plans. Makes clear the WHAT, HOW, and WHY of statutory and practical requirements that shape and mold private programs. Special features, in addition to profit-sharing and pension planning, include:-Group Insurance Plans, Executive Compensation Plans, Fringe Benefits, Investment of Employee Trust Funds, Payment of Benefits, Guaranteed Annual Wages. Everything neatly arranged in one Volume, behind quick-finding Tab Guides.

For dependable, continuing help in handling the payroll problems involved under federal income tax withholding, federal social security taxes on employers and employees, federal wage and hour regulatory provisions, state and local income tax withholding, and unemployment insurance contributions. CCH's PAYROLL TAX GUIDE spans the whole workaday world of pertinent statutes, rulings, regulations, decisions, returns, forms, reports and instructions. No law texts, no regulations-instead understandable, plain-English explanations of "payroll law" make everything covered instantly clear for sound procedure. Subscription includes encyclopedic Compilation Volume presenting everything down to date-plus biweekly releases of all pertinent new developments.

Write For Further Details

Commerce, Clearing, House,, Inc.,

PUBLISHERS OF TOPICAL LAW REPORTS

NEW YORK 36 522 FIFTH AVE.

CHICAGO 1 214 N. MICHIGAN AVE. WASHINGTON 4 1329 E STREET, N. W.

BANKING

JUNE 1954

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

The OUTLOOK

and CONDITION OF BUSINESS

This is a great and *growing* country and the longer future is bright with economic promise. So is the near outlook, say, through 1955, barring war. It is in the intermediate prospect where we find that the visibility is very low.

A careful examination of current opinions, and facts, forces one to the conclusion that business, during the rest of this year, will definitely do one of three things, improve, level off, or decline.

The reluctance to feel sure about anything at this time is traceable to a number of factors, most of them political and centering in November.

The economic consequences of the Army's wrangle with Senator McCarthy and of the attacks on the State Department's ventures abroad should be watched from the standpoint of the political uncertainty they create, because business does not like political uncertainty.

Meanwhile we are likely to hear a great deal of banging away at the hard money ghost that isn't there. Much time and effort were spent manufacturing the ammunition and the crusaders can't afford to waste it.

With the automobile industry still complaining about indigestion, it is significant that automobile dealers, by and large, have not yet resumed selling cars the way they once did, before selling became a lost art.

The same is true in almost any field, hats for example. Three salesmen in a hat store were observed the other day looking gloomily at each other. A customer came in and they sat, each one waiting for another to get up. One remarked, "For a while this noon it seemed like the old days when they picked out their own hats."

As we move into the summer the pessimistic business appraisals and predictions we have seen in the pages of the *Congressional Record* and elsewhere have not fully matured. Business on the whole remains good. As Harlow H. Curtice, president of General Motors Corporation, pointed out late in April, "too little attention is given to the current level of employment, which is reported to be in excess of 60,000,000, exclusive of

. . . the armed forces. This compares with 61,000,000 a year ago and 57,500,000 in 1950, when things were also considered booming. While current employment is not at a record level, it is the best level ever attained at this time of year, with the exception of 1953."

Because of the overshadowing role of the Federal Government in our economy, as well as the research resources of Washington, we are always tuned in on the sounds that come from the banks of the Potomac. Earlier this year President Eisenhower told a press conference that March would be the crucial test to tell whether or not the Government would have to step in with its powerful kit of economic "regulators."

Everett D. Reese, president of the American Bankers Association, recently told the Kansas Bankers Association that measures being taken by the Federal Government to stimulate the economy will not do much good if the Government merely provides more inflation and helps people to avoid any real adjustments in their thinking or in their business practices.

Mr. Reese, who is president of The Park National Bank of Newark, Newark, Ohio, added: "Such a course, which is seemingly painless in the short-run, would in the long-run undermine us. We are now back to a system of free enterprise more competitive than it has been in years, and it is up to us to show what we can do for the country and for ourselves.

"For more than two decades, the Government played the role of Santa Claus in varying degrees. As a result, large sections of the population have come to look to government for the maintenance of prosperity and employment. The Government, being a political creature, is conscious of this attitude and is trying to do what it can on a sound basis to stimulate the economy.

"We have been for some time in a reconversion from a war to a peacetime economy and from a sellers' market to a buyers' market. We now have highly competitive markets. That is a normal condition to which every-

(CONTINUED ON PAGE 143)

yal ve

is, ed

ay

di-

CES

EO

VO

ts,

ts,

ral

fit all

m-

ear

in

îts,

ed

nd

ms

ity

ory

ent

he

ns,

its,

ear

bi-

KING

Committee Studies Electronic Future

THE constantly increasing volume of checks being handled through American banks and the possibility of using electronic and electrical equipment in accounting and handling is being studied by a Technical Subcommittee to the Committee on Mechanization of Check Handling of the Bank Management Commission of the American Bankers Association. The subcommittee, of which Mr. Weaver, assistant vice-president, First National Bank of Chicago, is a member and John A. Kley, vice-president, County Trust Company, White Plains, New York, is chairman (see May BANKING, page 38), spent a full day in New York

recently mapping out a long-range program in which it will act as liaison between bankers and equipment manufacturers. A picture of the group appears on page 85.

Among the problems discussed by the subcommittee were: whether or not it would be possible to standardize the size and thickness of checks; the coding on checks or attachments to make it possible for machines to sort checks according to the branch or bank and the account number. There was discussion as to the desirability or possibility of developing machines which will handle both paper and machine card checks and which will "sense"

coded designations of various printed and punched types of varying dimensions. It was felt a system of separate components would probably have a wider market, especially among smaller banks which might not find it necessary to install a completely automatic system. We

but

tric

pol

eve

ics

inv

cal

tri

ele

m o

the

thi the

> pri thi tol

co

The subcommittee is preparing a questionnaire which will be sent to 225 key operating men representing all sizes of banks and areas, to obtain their assistance in the committee's program on the mechanization of check handling. The subcommittee is also drafting a letter to machine and bank equipment manufacturers and organizations in the field of computers and automation, to define the problem and to ascertain their interest in solving it.

The Age of Faster Service

Now is the time to study the means by which banking can benefit to the utmost from developments in electronics

C. M. WEAVER

To would require only a short article to describe the completely practicable results so far attained by all banks in the actual use of the newest types of electronic equipment. Our bank's unique experiment—and it still must be classed as an experiment—is our pattern-sensing equipment for printing and reading coded information on paper travelers checks. Some day this may be recognized as an important development, but right now it is only one of three such programs that will be tested this year.

Other distinctive innovations that already have proved their value cannot claim the glamor of direct association with electronics. They are electrical and mechanical and are designed to make the use of punch-card checks more practicable. They include a fluoroscopic X-ray device for locating pins, clips, and staples

in punch-card checks; a 25-ton hydraulic press for restoring folded, limp, and crumpled punch card checks to good operating condition; and a combination of a typewriter and a key punch designed to smooth out the multiple-step operating routine of conventional methods of issuing punch-card checks.

Rather than an evaluation of the presently almost non-existent impact of electronics on deposit accounting functions, it would seem that by far the most important consideration, at this time, should be the challenge of what banking as a whole will be able and willing to do about deriving the greatest possible collective benefits from the tremendously expanded electronic possibilities that have resulted from the concentrated research of the last decade.

During the last few years we have

been exposed to a constantly increasing number of articles pertaining to electronics. Such terms as "second industrial revolution," "automation," "cybernetics," "giant brains," "programming," "decimal coded binary," and many others have caused mixed reactions in many readers.

Some segments of management have been concerned chiefly with increased profits. Inevitably others have experienced at least a certain degree of apprehension. Many have been puzzled at the mysterious new language of the electronic engineers. All have been intrigued, and a few have been misled in their appraisal of the significance of the new developments.

The term "electronic" is not new. In practical applications it is as old as the vacuum tube. Obviously it involves electricity in some form. We do not know for sure what kind of stuff electricity itself is made of. but we do know how to use it. Electricity as such gives us enough power for lights, motors, etc. However, when it is known as electronics, it is exactly the same thing, except that there is not nearly so much of it. Even though the force involved in electronics is so slight it can hardly be measured by physical means, it is enough to act as a trigger in releasing enough power to control mechanical action.

int.

ing

of

oh-

ally

ght

la

g a

t to

ling

oh-

nit-

tion

nit-

ma-

fac-

field

de-

tain

inainas

'auiant

mal

hers in

nent with hers tain ave new ers. few isal de-

lew. 119 ualy rm. ING

Certainly the extremely fast movement and adjustment of information that can be accomplished by electronics, and that is required to modernize record keeping processes, is important. Equally important, however, for banking in general is the terrific volume of pieces of paper that must be moved physically through the banking structure in the circle tour from maker back to maker.

Although the applications of the principles of electronics are quite capable of bringing about most of the wonderful things we have been told about, there are many less intriguing and far more annoying problems to be solved. These may be divided into two classes. The first involves only the complications of mechanics. These will be solved satisfactorily. The second is infinitely more difficult to coordinate than either electronics or mechanics. Both electronic and mechanical principles are determinable and control-

cooperative action is people. our checks, and all of those millions who cash them.

Certainly we can not change all essing routine.

Cooperative action is required be-

- (1) The common denominator in our present processing routines is the people who read significant information and punch keys.
- any major part of this job, the machines will have to read.

lable. They may be infinitely compiex, but when once understood they may be harnessed successfully with precautions only for component

The most unpredictable of the components in our over-all problem These make up the second part of the problem. Not unusual people, for almost every one is involved, just you and I and all of our associates in about 14,000 banks, and all of the depositors in all of these banks, and all of the persons manufacturing our equipment, printing

of the rest of the world to fit into the pattern that suits us best, but unless quickly and collectively we ourselves can get beyond the dreaming stage of "You put it in here, press the button, and in comes out here," we will miss the greatest opportunity that banking ever has had to formulate the most efficient type of integrated and cooperative proc-

(2) If we expect machines to do

(3) Machines now can read rectangular holes in cards and round holes in card.

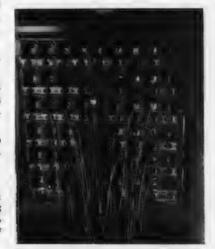
(4) Holes in cards are a machine language. There are now two major companies with punch card languages that are not interchangeable without conversion.

(5) By using more advanced electronic techniques it is possible to arrive at at least 20 or more machine languages.

(6) There are other similar problems, but the immediate probability of a language barrier to the integrated action that would result in the smoothest routine serves to indicate the general character of the others.

To get cooperative consideration of all such problems, it would seem that we should establish or use an unbiased organization devoted to the welfare of all banks.

The American Bankers Association fortunately provides such an (CONTINUED ON PAGE 133)



These pictures show three pieces of electronic equipment developed and used at The First National Bank of Chicago. At the right, a sensing assembly for reading code spots on travelers checks. Below left, an X-ray which locates staples, pins, and clips in punch-card checks. Below right, a code printer used for printing code dot patterns on travelers checks





THE MONTH

TWO OF THE MOST ABSORBING SPECTACLES were enacted in Washington (the Army-McCarthy hearings, below left) and in Geneva, Switzerland (the international conference on the Far East, below right). Although these events had the main headlines, historians perhaps took more notes on the historic fall of Dienbienphu, H-bomb boasts from Moscow, a revolution in Paraguay, dramatic defections by Soviet representatives in Australia and elsewhere, and assorted pieces of bad news from various sensitive spots around the world. While two Government branches squabbled over prerogatives, the third stole the show from a news standpoint. (See bottom right corner)



UNITED PRESS



UNITED PRESS

deli PRE is a ren

the

SHI

Ban thi

his

rat

The that training policies

taz

pa it i

ai

in

ra

ou

in

pu

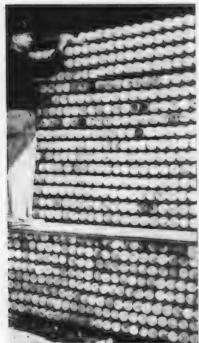
pr

in

Ju

354

THE ST. LAWRENCE WATERWAY was approved by Congress, a culmination of the efforts of every President since World War I. Right, a boat is shown passing through the Canal Soulange, alongside the Long Sault Rapids near Montreal. These rapids will be one of the shipping obstructions removed in this great engineering project



NITED PRESS



TIVITED PRESS

PROGRESS did appear on some fronts. The 4-minute mile became a reality when Britain's Bannister stepped off the distance in 3 minutes 59.4 seconds. And baseball bat manufacturers were getting their product ready for another season, already well under way (left)

WHEN THE SUPREME COURT gave its unanimous decision barring segregation in the schools, South Carolina's Gov. Byrnes (right), a former Justice of the highest court, said that he was "shocked to learn that the court had reversed itself" (referring to a decision of 1896). Noting that the decision had not yet been implemented, he declared: "I urge all of our people, white and colored, to exercise restraint"



BANKING

Timely Monetary Policy

Administration Policy: Neither hard nor cheap money, as such, but sound money and a flexible credit policy. . . . Present Economy: a picture of over-all, sustained well-being

SENATOR PRESCOTT BUSH

The paragraphs which follow are from a speech on monetary policy, delivered in the Senate by SENATOR PRESCOTT BUSH of Connecticut, who is a member of the Banking and Currency Committee. Some phases of the same topic are discussed by E. SHERMAN ADAMS of the American Bankers Association on page 39 of this issue of BANKING.

ton

terthe

> SENATOR BUSH also included in his speech a discussion of interest rates. That part of his remarks will be quoted in an early issue.

> ECENTLY, the floor of the Sen-A ate has again become the scene for vehement attacks on the Administration's money policies by certain Senators of the opposition. They would have the country believe that what they term the Administration's "hard money, tight credit" policy has brought on a "recession"; also, that this policy is costing the taxpayers hundreds of millions of dollars through increased interest payments on the public debt; that it is subsidizing a handful of bankers, a few wealthy individuals, and large investment companies at the expense of consumers, farmers, and small businessmen who have to pay higher rates for the money they borrow.

To back up their charges, these Senators have torn a few statistics out of context, incidentally distorting many of them, and when statistics were not available for their purposes they have attempted to prove their points by "you know and I know" generalities.

Now I do not doubt the personal integrity or sincerity of these Sen-

ators. Nor am I losing sight of the fact that this is an election yeara fact of which they appear to be fully aware. But I do say that the people of this country are entitled to all the real facts on the Administration's money policies. That is why I take the time of the Senate today to reply to certain rash statements which have been made, either through misunderstanding or political design. If left unchallenged they might give many of our citizens erroneous impressions of the Administration's money and credit policies and other steps it is taking to effect the necessary transition from a war economy to an economy based on the prospect of peace.

A Catch Phrase

First, let me make it clear that the Administration never has had and does not now have a "hard money, tight credit" policy. The term was one conceived last spring by partisan critics of the Administration to lead people into the false notion that the new Administration was out to fill the pockets of the wealthy at the expense of the great mass of our people. Nothing could be further from the truth. Nor, incidentally, could any catch phrase less accurately describe the Administration's money and credit policies than to say that they are "hard" or "tight."

This Administration has never advocated either hard money or cheap money, as such. It does not believe in rigid money policies in either direction. It has always been convinced that the interests of the

entire country could best be served by a sound money policy, and a flexible credit policy, under which the Federal Reserve would be free to take steps to help tighten the money supply when an overexpansion of credit could bring on another round of inflation and further cheapening of our dollars, and conversely, to take steps to ease the money supply when more credit is needed to stimulate business or counteract deflationary tendencies in our economy.

The Federal Reserve should be freed

... to restrict credit and raise interest rates for general stabilization purposes ... even if the cost should prove to be a significant increase in service charges on the Federal debt.

That, as Senators know, was the conclusion reached by two congressional committees—the Douglas Committee of 1950 and the Patman Committee of 1952. As you also know, this general conclusion, supported by public opinion, was partially put into effect by the Federal Reserve-Treasury "accord" reached in March 1951 which released the Federal Reserve from its prior commitment to support the Government bond market at par in order to artificially suppress interest rates.

Now let's take a look at the Federal Reserve Board's flexible credit policy in action and the economic background in which it has been carried out. This policy has been supported by the Treasury.

In the first four months of 1953 the Federal Reserve followed a restrictive credit policy in order to

PRESS

KING

hold down dominant inflationary pressures prevailing at the time and help stabilize our economy. As a result the Treasury had to pay higher rates on its borrowings during that period. This was not a new policy but a continuation of the policy begun with the Federal Reserve-Treasury accord in early 1951. The governors of the Federal Reserve Board were not Eisenhower appointees. They were Democrats, all appointed prior to 1953.

No Sudden Change

Nevertheless, in early 1953 some critics first tried to pin the tag of "hard money" on the Administration. It was not, however, a sudden shift, due to activity on the part of the new Administration, from low to high interest rates, as some of our opponents would lead you to believe. Money rates throughout the country had been moving up for several years, mainly because of the huge demand for borrowed funds by individuals, business concerns, and state and local governments.

The rates at which the Treasury could borrow short-term money had been rising steadily since 1946. For example, Treasury bills rose from their low wartime yield of .38% to slightly over 2% at the end of December 1952. Long-term Government rates were, of course, artificially suppressed during the 1946-1950 period due to the Federal Reserve's compulsion by the Truman Administration to support the Government bond market. However, following the "accord" in March 1951, the yield on long-term Victory 21/2's rose from 2.45% to 2.80% at the end of December 1952.

These are facts. They do not add up to a sudden shift by this Administration in early 1953 from low to high interest rates.

Here is the economic backdrop against which the Federal Reserve moved to tighten the money supply during 1952 and continuing in the first part of 1953.

In early 1953 business was close to record levels. Unemployment averaged less than 3%. Civilian employment reached all-time highs. Much of industry was on an overtime basis. Production was at a peak. The Federal Reserve Board index of industrial production reached an all-time high in both May and July. Inventories were rising and overstocking of this nature was par-



Sen. Prescott Bush

ticularly dangerous in view of the likelihood of a decline in Federal expenditures under the new Administration. In spite of the then outlook for a decline in Federal spending, the Government at that time faced a prospective deficit in fiscal 1954 estimated to exceed \$5-billion. Price and wage controls had been removed. Consumer spending was at record levels and buying power was being sustained in part by rapid increases in consumer credit each month.

Borrowing in General

Businesses, too, were both spending and borrowing heavily. Spending for plant and equipment reached new highs. Although interest rates had been rising steadily for three years, there was no slackening in the continued expansion of bank borrowing. Total loans of all commercial banks increased \$1-billion from the end of December to the end of March-many times as much as the increase in the same period of the preceding year. Total new security issues for new capital (both corporate and municipal) reached an alltime record of \$7-billion in the first half of 1953. Mortgage lending was also expanding. And at the same time, Federal Government borrowing was a substantial factor in the picture

Indeed, the new administration inherited the unavoidable prospect of a \$9-billion deficit in fiscal 1953, which in itself provided additional inflationary force. This was the situation.

This was the environment in which the Federal Reserve followed

a policy of monetary restraint—and appropriately so. It was the environment in which the Treasury, coordinating its debt management program with Federal Reserve credit policy, sold a 30-year bond bearing $3\frac{1}{4}\%$ interest.

Some have criticized this rate on the ground that former long-term bonds had been sold at 21/2%. They overlook the fact, however, that no long-term marketable Treasury bonds had been sold since 1945, and that rising interest rates over the past several years had made the sale of such a bond at 21/2% impossible. The outstanding 21/2% Treasury bonds at the time of the new bond offering were, in fact, selling well below par, at a market price to yield just under 3%. Since the maturity of the new bond was 10 years longer, it had to be priced at an even higher rate.

It is true, as President Eisenhower stated in his Economic Report to the Congress, that the monetary and debt management policies undertaken in order to keep the boom from getting out of hand had a more potent effect than had generally been expected. That, however, does not indicate any error in judgment. No one can state with certainty what would have happened if these restrictive policies had not been put into effect. But from past experience it seems highly probable that if the over-extension of credit and the heavy accumulation of inventories had not been restrained—even over - restrained — the succeeding readjustment would have been far more severe.

d

r

7

So, that was the situation in the early part of 1953.

Since Mid-1953-

Now, let's take a look at the direction of Federal Reserve and Treasurv money policies since mid-1953, when substantial cutbacks were made in the planned spending programs of the previous Administration. The Administration knew and industry knew that these cutbacks in Government spending would mean that production which otherwise would have gone to fill Government orders would have to be converted to production for civilian needs in order to avoid a loss of jobs, a downturn in business, and a strain on our economy.

Under these changing circum-(CONTINUED ON PAGE 99) Easy money is right policy but should not be carried too far Ease is partly managed, partly natural

A Hard Look at Easy Money

E. SHERMAN ADAMS

The author is deputy manager of the American Bankers Association in charge of the Department of Monetary Policy. He is also assistant director of The Graduate School of Banking.

and

ent edit ing

on erm hey no

the the oseaing

the 10

at

wer

to

and

der-

om

ore

ally

oes

ent.

nty

) Pisso

put

eri-

hat

and

ven-

ven

ling

far

the

di-

rea-

953,

ere

pro-

tra-

and

acks

rean

wise

nent

rted

s in

s, a

rain

cum-

KING

VER the past year, the credit situation has been completely reversed. Stringency has been replaced by ease throughout the entire credit market.

This has been reflected in the spectacular rise in bond prices and decline in interest rates. Long-term Government bonds have advanced more than 10 points from their lows of last spring. Yields on 90-day Treasury bills, which approached $2\frac{1}{2}$ % a year ago, have been averaging less than 1%.

During most of this period, the Federal Reserve System has actively promoted monetary ease. There is almost universal agreement that this policy has been in the right direction. Monetary flexibility obviously must be a two-way proposition. Policy should flex in the direction of restraint when inflation threatens and in the direction of relaxation when there is some slack in the economy.

The Treasury has followed a somewhat comparable policy with respect to its debt management operations. It has done some lengthening of the bank-held debt but has refrained from offering really long-term securities which might compete with other borrowers for investment money.

To what extent has the decline in interest rates been caused by "natural" supply and demand factors and to what extent by Federal Reserve and Treasury policies? This question is obviously one of considerable practical significance from the standpoint of bankers and other investors.

Some confusion on this point seems to have arisen as a result of the emphasis which the Federal Reserve authorities have placed on the increased freedom that has been achieved in the money market over the past few years. At times, they seem to go a long way in the direction of disavowing responsibility for the level of interest rates. At the same time, they describe their policy as being one of "active ease." Some bankers have difficulty in reconciling these ideas.

Part of the answer may be that the Reserve authorities take pride in having contributed to the much greater degree of freedom that now exists in the money market. As they have repeatedly pointed out, the market today is a far cry from the rigidly pegged market of only a few years ago. This has been a major accomplishment and one for which the Reserve authorities deserve a great deal of credit.

No Complete Freedom

On the other hand, admiration for the virtues of a free money market can be overdone. After all, central banks are instituted among men because modern monetary systems require some degree of management.

Moreover, it is generally recognized that the money market is not and cannot be completely free by any means. This is abundantly clear if one stops to review the extent to

which the market has been affected by the actions and the statements of the Federal Reserve and the Treasury over the past year and a half. After all, the Reserve System is the key factor on the supply side of the credit picture; and the Treasury is a major factor on the demand side. Neither agency can possibly avoid influencing money market conditions.

It is obvious, for example, that the Federal's open market operations are bound to affect the reserve positions of the member banks and thereby influence short-term interest rates. It is equally apparent that longer-term rates will be affected indirectly.

Investors Carry the Ball

And yet the money market does today enjoy a notable degree of freedom. The Federal Reserve now operates only in very short-term securities in order to affect prices and yields as little as possible. Its basic approach is to supply a suitable quantity of bank reserves, not to determine the level or pattern of interest rates.

The chart on page 40 sheds an interesting light on this subject. It shows the correlation between bank reserve positions and selected shortand long-term money rates from 1946 through April 1954. Bank reserve positions are indicated by a single line indicating the "net reserve balances" of the member banks—total excess reserves minus member bank borrowings at the Reserve banks.

The chart clearly shows that Government security yields are sensitive to changes in the reserve position of the banking system. However, it also indicates that this relationship is by no means constant and fixed. This is true even in the case of short-term yields. The relationship between bank reserve positions and long-term rates is even more variable.

It would not be realistic, therefore, to regard the monetary authorities as being solely responsible for the extent to which interest rates have declined over the past year. The Reserve System has eased the reserve positions of the banks, to be sure, and has given its blessing to lower interest rates. On the other hand, security prices and yields are established by transactions among investors, and the willingness of investors to buy securities at progressively higher prices and lower yields bears no precise relationship to the actions of the Reserve System.

In short, the Federal has been pointing the direction for interest rates to go, but it has been the investors who have actually been running with the ball. The Federal has not forced investors to run as far as they have.

It is true that the monetary authorities could have tempered the decline in rates if they had so desired, but this would have meant taking positive action to do so. The answer seems to be that both the Federal Reserve and the Treasury have been understandably reluctant

to make any moves that might have matter of avoiding a restrictive polaccelerated the downturn in busi-

What Can Easy Money Do?

What can be expected from an easy money policy? Does it simply remove impediments to the flow of credit? Or is it, in addition, a positive stimulant to the use of credit?

The phrase "easy money" refers primarily to the degree of ease with which borrowers can obtain credit. It is mostly a matter of the availability of credit, not its cost. Availability and cost are closely related, to be sure, but they are not the same thing. Generally, when credit becomes more easily available, interest rates tend to decline. In the case of most types of credit, lower rates have little or no effect upon the demand for credit. Availability. however, may have considerable influence upon the volume of borrow-

The chief objective of an easy money policy, surely, is to make certain that credit is adequately available. This is largely a matter of eliminating pressures that might make lenders cautious and might inhibit lending and investment policies. It means seeing to it that the banks are amply supplied with reserves and giving them confidence that they will have no difficulty in obtaining additional reserves if they need them. It is largely a negative

icy which might discourage the extension of credit. It also insures against a shortage of credit.

An easy money policy cannot be expected to reverse a decline in business activity. It cannot do much more than remove pressures that might otherwise be deflationary.

Ease Should Not Be Overdone

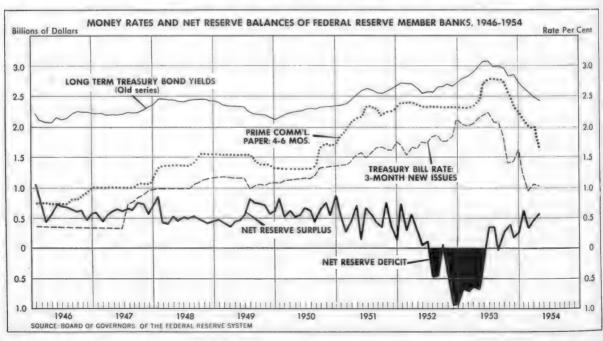
Once credit is amply available at reasonable rates, therefore, there may be little point in making it still cheaper. Just because money should be easy, it does not follow that the looser it becomes the better.

In fact, it is highly important that credit should not be permitted to become excessively easy. This is just as clearly a responsibility of the monetary authorities as it is to prevent credit from becoming excessively tight.

b

One of the chief dangers of supereasy credit is its tenacious tendency to perpetuate itself. For illustration, one has only to look at the entire decade of the 1940s. The cheap money that had developed during the Big Depression certainly did stay for dinner, and with most unfortunate consequences. It should also be noted that excessive ease during the 1930s stimulated an expansion in the money supply which subsequently proved to be inflationary.

It is obvious, of course, that cheap (CONTINUED ON PAGE 106)



Washington

es

sich at

at re ill

ld he

at

to

is

of

to

X-

er-

cy

on,

ire

ap

he

ay

tu-

be

the

in

nt-

eap

ent

3.0

2.5

2.0

1.5

1.0

0.5

0

0.5

1.0

ING

Outlook for banking bills confused . . . the housing scandals . . . soft mortgage credit in the new housing program . . . would make cumulative voting for national bank directors optional . . . the Treasury's June financing

LAWRENCE STAFFORD

In an already complicated legislative situation, the so-called housing scandals have further confused the outlook for miscellaneous banking bills. Incidentally, they have made for a chaotic prospect in housing legislation.

Before the Administration announced the alleged scandals, the Senate Banking Committee had planned to resume hearings during the latter part of April on bank holding company legislation. When the committee jumped into the preliminary inquiry into the Administration's housing charges, that set of hearings had to be delayed at least until June.

All the Administration's legislative program is tied up in considerable confusion. This appeared inevitable in view of the wide scope of the White House legislative program. There were more projects on that agenda than one session of Congress could probably pass, even if the President's party had a comfortable working majority. It has no such majority.

If a savings and loan association branching bill has a chance to go through the House (possibility of Senate passage was uncertain at writing), there will have to be time. However, some members of the House Banking Committee, who would have to handle such legislation, will be occupied for some time with the conference on possible housing legislation.

In common with all other members of Congress, the members of the Banking committees will be preoccupied with major legislative controversies, which will bunch up for disposition in the next several weeks.

Until the tax revision bill is out of the way, a boost in the statutory

debt limit is considered by leaders to be out of the question.

There was still a disposition on the part of the House Post Office Committee, at writing, to take up the bill to provide for the liquidation of the Postal Savings System. The pending bill a year after its enactment would end the acceptance of any new postal savings deposits. Two years thereafter, or three years from enactment, the system would go into liquidation.

This bill will, even if strongly supported, have to fight for attention in the crush of major issues before the two Houses.

Housing Inquiry Postpones Action

The Administration's ambitious, lengthy, and rather complicated housing bill was itself directly hit by the decision of officials to precipitate in public the revelation of the alleged housing scandals.

At the time these were spread out for public attention, the Senate Banking Committee was about to go into closed session to draft its version of the housing bill, already passed by the House. Hence the "scandals" were precipitated right in the midst of the consideration of this project. In conducting a preliminary inquiry, the Senate Banking Committee postponed executive consideration.

What the Administration charged was two things:

That builders or promoters, traveling in gangs, would go from community to community signing up home owners to specified improvements to be financed by loans under Title I. These gangs would then do a shoddy job, overcharging home owners substantially.

That Title VI's Section 608 for in-

suring multifamily projects was used by builders to get what the Commissioner of Internal Revenue called "unconscionable profits" to the extent of getting loans for substantially more than the cost and pocketing the difference as a profit.

Evidence Is Inconclusive

With respect to the alleged racketeering under Title I the public hearings were lacking in substantial evidence nailing down much to show that this was a widespread practice. Mostly the charges were general, repetitious, and except for some cases cited on the West Coast, lacking in substantive detail. Few members of Congress had ever received complaints of this kind.

With respect to "windfalls" under Sec. 608, the evidence consisted entirely of public statements based on confidential data furnished by the Internal Revenue Commissioner that some 1,149 out of several thousands of 608 projects reaped "windfalls" aggregating in the neighborhood of \$500,000,000. At writing no one had carefully analyzed the confidential figures to issue an authoritative statement of just what, percentagewise, this alleged evil amounted to.

If detailed information was lacking in the public disclosures, there was no lack of determination on the part of the Eisenhower Administration to emphasize its view of the gravity of the charges. This was best evidenced by the almost summary dismissal of virtually the entire top official heirarchy of the Federal Housing Administration.

Further Inquiries Due

Nevertheless, if the solid information to back these charges was initially disappointing, the Eisenhower Administration will have ample opportunity to furnish such. In fact, it will have two opportunities. The Senate Banking Committee, with a fund of \$150,000 appropriated for the purpose, plans to conduct an exhaustive inquiry into FHA operations taking the subject up this fall.

Furthermore, the Housing and Home Finance Agency itself is conducting an inquiry, has appointed special counsel to its staff for this purpose, and under an Executive Order has impounded pertinent files.

"Loose Lending" Hit

Until, and indeed unless, some comprehensive, solid data are publicly revealed, it will not be possible to assess the extent to which banks and other lenders are suspected of betraying a trust with customers, even if they did not violate the law.

However, the generality of the charges has been so sweeping as to cause public suspicion of lenders as well as builders, whatever evidence is or is not adduced for the record.

The most striking instance of this treatment of lenders was afforded by Warren Olney, an Assistant Attorney General of the Criminal Division of the Department of Justice.

Mr. Olney averred that testimony had "demonstrated" that FHA's Title I program had fostered a home improvement program "which rapidly became a means for organized groups of swindlers, thieves, and crooked salesmen to cheat and defraud literally thousands of small home owners."

Sweeping as Mr. Olney was in his charges, however, he was unable to give the Senate Banking Committee any record of the total number of complaints or violations of Title I.

While accusing banks of loose lending, however, Mr. Olney did observe that there were virtually no complaints where the customer came to the bank himself. The complaints only arose where the contractors handled the paper, he said.

While banks rarely made such large loans as were required for mul-

tifamily projects under Sec. 608, their resources for the most part being too limited, it may be doubted that the general public will grasp this. The a spo

eratio

curre

consi

such

their

of a

but

than

As

curr

year

sions

Sena

Not

mati

Banl

how

rece

and

had

Sena

A

had

appi

conv

Sec.

stin

not stea

ing,

pru

bru

Ear

sib

dou

cre

bui

ply

ha

fits

an

the

pli

er

Soft Credit Has Long History

Basically any foundation for charges of abuse of Titles I and VI, capital observers note, may be traced back to the deliberate Government fostering of soft credit on real estate mortgages over many years. The Truman Administration and Congress jointly fostered soft real estate credit in the face of warnings by conservatives that easy credit is not a good thing.

Title VI was first launched early in War II, to get housing built, with little regard for cost. Whereas the appraisal of a piece of property which was the subject of a real estate mortgage under FHA's Title II was based on its long-term economic value, the basis of appraisal under Title VI was "necessary current cost."

The A.B.A. Position on Mortgage Credit

THE position taken by the American Bankers Association on mortgage credit has important significance in view of the recent FHA disclosures. It is clear that windfall profits and abuses in the home repair program have been possible as a result of excessively liberal credit terms permitted by the FHA program.

The Association has long cautioned against overexpansion of credit in housing and home financing. In testimony before legislative committees in the postwar era the A.B.A. has continuously urged Congress to refrain from adopting ever more liberal mortgage terms, and to restrict credit for home construction purposes to sound economic policies.

In 1947, in testimony relating to the Wagner-Ellender-Taft Housing Bill, the A.B.A. opposed the growing tendency to over-liberalize mortgage terms, believing that they would lead to serious inflationary conditions.

In 1948 a resolution adopted at the Association's annual convention cautioned that Government housing and home financing policies were encouraging unsound and inflationary lending, and urged reconsideration of these policies because of the danger they presented.

In 1949 opposition was expressed against the expansion of Government into the housing and mortgage credit field through direct loans and subsidized mortgage support programs, and to provisions in the Housing Act of 1949 which tended to further expand credit terms in an already inflated economy.

In 1951 the A.B.A. pointed out to the Senate Banking and Currency Committee that proposals then being made for further liberalized mortgage credit terms should be particularly avoided with the housing emergency ended, and requested Congress to weigh the ultimate effect of such proposals on the nation's economy.

In 1952 the Association urged that studies be made looking to a curtailment of its FHA mortgage program, with the ultimate aim of limiting such activities to sound credit principles.

In testimony before both the House and Senate Banking and Currency Committees in March 1954 the A. B. A. again stated that the further liberal credit terms proposed could only result in developing a program of home building beyond that necessary to satisfy a real need for homes, and expressly urged that private enterprise be encouraged to assume its responsibility in this field without Government support or assistance.

It was feared that some of the provisions of the Housing Act of 1954 would involve the Government more deeply than ever in housing and home financing rather than the desirable course of reducing Government participation and influence in this field.

THE A.B.A. opposed on this occasion, which was prior to the FHA disclosures, the more liberal terms intended for FHA Title I loans for repairs, alterations or improvements, to property, stating that it would be desirable for longer term loans intended for this purpose to be secured by mortgage.

There is extant a quote in 1942 by a spokesman for the American Federation of Labor, when the necessary current cost formula was first under consideration, that the language was such that builders could not only get their costs and profits currently out of a project as they constructed it, but probably also could get more than their costs.

8,

e-

he

gp

or

I,

ed

nt

te

he

n-

te

by

ot

ly

th

he

ty

II

nic

er

nt

As Title VI's Sec. 608 came up for current renewal in the postwar years, there were repeated discussions of this situation and even one Senate subcommittee discussed it. Not the least innocent of this information was the files of the Senate Banking Committee whose members, however, in the course of the most recent inquiry, expressed a touching and indignant surprise that "no one had told us about this," as various Senators stated in open hearing.

After the need for war housing had passed, the Administration was apprehensive over a possible huge conversion unemployment. It wanted Sec. 608 continued as a business stimulant. However, the rationale used to persuade Congress and the country to favor its continuance was not its anticyclical objective. Instead the argument was advanced that returning veterans lacked housing, and that to get a great volume of housing built in a hurry ordinary prudent credit standards must be brushed aside.

Early Doubts

In due course even some responsible Administration officials doubted the utility of such a liberal credit device, but by that time the building construction, materials supplying, and building labor groups had become accustomed to the benefits of working under easy money, and Congress itself refused to end the acceptance of new Sec. 608 applications until 1950.

Title I was the creature of the first National Housing Act, and also was designed for the purpose of unlosing the floodgates of credit to create employment.

A part of this history of soft real estate credit was the constant pressure by "liberal" groups that if lenders refrained from providing soft credit, the Government should both construct more public housing and make mortgage funds available from the Treasury. The lending world has been under almost unremitting pressure to acquiesce in a loose credit

or face the possibility of direct Government lending competition.

New Program Asks Soft Credit

Mr. Eisenhower's latest housing program appears to some Congressmen to propose long strides back toward soft real estate mortgage credit even if it does not propose to revive the "necessary current cost" formula as such.

Thus, for instance, the bill proposed to authorize FHA insurance of 100% of the cost on 40-year loans for housing costing around \$7,500 per unit or less. In this case the threat of direct Government intervention was written into the bill. It was provided that if these (or any other loans the President might designate) were not available from private credit sources, then the Federal National Mortgage Association could make such easy loans out of Treasury funds. The bill also proposed to raise mortgage amounts, lower downpayments, and lengthen terms.

With respect to Title I, the bill proposed that the ceiling on such loans be raised to \$3,000 from \$2,500 as at present, and that the present 3-year term of such loans be stepped up to 5 years.

Contradiction Confuses Outlook for Bill

Thus the members of Congress face a contradictory situation. They are regaled by the Administration with charges of evils under deliberate soft real estate credit policies of the past. At the same time they are importuned to adopt legislation further softening credit.

How Congress will react to this situation remains to be seen, perhaps some time this month. Informed members of Congress were saying that Title I would not be liberalized, that perhaps the insurance under this title would be re-shaped so that lenders would get insurance only for a percentage of each separate loan, instead of their total holdings of Title I loans. They were also saying that banks would be required to some degree to "police" the kind of a proposition home owners got under improvement loans.

There was also considerable discussion of rigidly regulating all multifamily mortgages so that builders, even the most efficient builders, could never get more than their audited or sworn statement of costs.

In other words, the mood last month of Congress was to tighten up on real estate credit, rather than to loosen it as the Administration was requesting.

However, the Administration is concerned with encouraging a large volume of housing construction for its own sake, and as an anticylical device. How the legislation finally will work out, will probably be determined when the conferees between the House and Senate get together to reconcile the House and Senate versions of the legislation.

Would Absorb FHA Into HHFA

The terms of the pending Executive Reorganization on the Housing and Home Finance Agency had not been officially released at writing. However, it was understood that the proposed order would delegate to the Housing and Home Administrator the statutory functions performed under the National Housing Act, by the FHA. Some absorption of a similar character for the Home Loan Bank Board was also under discussion.

Rising Costs Hit Earnings

In view of the slide in yields on Government bonds and other bank investments, this year may not witness as good a bank earnings picture as 1953.

In a compilation made by the Federal Deposit Insurance Comporation, it was disclosed that net profits of all insured, commercial banks last year passed the billion-dollar mark, amounting to \$1,026,000,000. They were 4% greater than in 1952.

However, in relation to invested capital the return of 7.93% on total invested capital was slightly below the year previous.

One of the ever present factors of recent years has been the ever bigger bite which Federal taxation has taken out of bank profits. Whereas current operating revenues rose by 11.5% from 1952 to 1953, Federal income taxes rose more proportionately, or by 13.1%.

As against a rise of 11.5% in current operating revenues, current operating expenses for all insured commercial banks rose by 10.8%. The largest main item of expense was a rise in interest on deposits by 16.8%, as banks adjusted to the competitive situation in what was anticipated as a period of rising yields, to pay more to attract deposits.

Gold Trading Moves to London

HERBERT BRATTER

O_N March 22, for the first time in more than 14 years, representatives of a half dozen British bullion dealers and banks under the watchful eye of the Bank of England met in the paneled board room of N. M. Rothschild & Sons on Lombard Street and "fixed" the price of gold. Thus London international gold trading, shut down with Britain's entry into World War II in 1939, was brought back to life.

Coupled with important changes in the rules governing foreign-exchange operations in the sterling area, the gold market's revival constituted a further step in the British efforts of recent times to restore the country's prewar place in world business and finance under private operation. At one step in March London doubtless became the world's chief market place for gold. The London market, of course, still has a long way to go to duplicate the conditions under which it operated before the war on Hitler. The Bank of England is an active participant in the business being done five days a week at Rothschild's. And, while anyone may sell on the revived gold market, buying is limited to holders of American or Canadian sterling, holders of the new "registered sterling" obtainable by nonresidents outside the "American account" area for dollars or gold, and residents of the sterling area especially licensed, such as jewelers.

On the opening day the price was fixed at 248s. 6d., or 6d. above the price at which the Bank of England was previously prepared to buy the metal, although with no certainty that it would always do so. This price was 1s. 6d. above the floor below which the London market price cannot fall so long as the U.S. continues prepared to buy all gold offered at \$35 an ounce less the small handling charge. Apparently there is no ceiling for the London price of gold, although there has been some speculation as to what would happen if the London price reached a point at which it would become profitable for the British Government to convert dollars into gold at the Federal Reserve Bank and sell the metal to the London market. During recent years when gold brought premium prices abroad other governments which sold gold to their publics—Greece and Mexico come to mind—were in a position to profit by Uncle Sam's readiness to sell to them at \$35 an ounce.

The London reopening came at a time when the premium price had all but disappeared on European and other free markets. One important advantage immediately displayed by the London market was the much narrower spread between buying and selling prices than prevailed on the free markets until then available to hoarders and central banks. These operators quickly turned to London, to the detriment of trading on markets like Tangier, Zurich and Amsterdam. Even some American orders, it is said, were received, it being legal for U.S. citizens to own gold abroad. On the other hand, some foreigners who had been holding gold as a dead asset in London, as has been legal from the British standpoint all along, may have sold their metal for registered sterling which has guaranteed convertibility anytime into gold or dollars. All business on the London gold market is done in terms of sterling. Nonresidents of the sterling area selling gold may receive payment in London in any currency of their choice.

An interesting feature of the London market today is that for the first time since 1939 British and other gold coins may be traded at free prices and are no longer required to be surrendered to the Treasury. Unlike the situation in the U.S.A., apparently, it is not necessary to claim that the coins are "rare." For bullion dealings the trading unit is the bar, worth about \$14,000. Trading by authorized dealers is not confined to the daily fixing, but may take place outside by free negotiation. South African gold henceforth is sold in the free market, the Bank of England acting for the South African Reserve Bank. Simultaneously the former has been buying on London's new free market as agent for the UK Exchange Equalization Account.

Would Make Cumulative Voting Optional

Most witnesses who appeared before a Senate Banking subcommittee hearing agreed that national banks should be authorized to determine whether they should use the cumulative voting method in electing bank directors. Under the national laws, a bank with a national charter must permit cumulative voting.

The subcommittee was headed by Senator John W. Bricker (R., O.). The bill, which would abolish cumulative voting, was introduced by Senator A. Willis Robertson (D., Va.), a member of the subcommittee.

tri

in

ex

bu

or

ju

to

ai

re

h

fe

h

a

f

n

d a ti

While favoring the enactment of the Robertson bill, Ray M. Gidney, Comptroller of the Currency, recommended that it be amended to make cumulative voting optional with each bank. "In other words, we would permit national banks which desire to adopt cumulative voting to do so by amending their articles of association to so provide," the Comptroller's statement explained.

The A.B.A. has no objection to this approach, the committee was told by Joseph E. Healy, chairman of the Federal Legislative committee of the National Bank Division. Mr. Healy is president of the Citizens National Bank, Hampton, Va.

"It is our understanding that it has been recommended that Congress provide that national banks desiring an optional plan for cumulative voting of shares of stock for directors may by affirmative action amend their articles of association accordingly. Under the circumstances," said Mr. Healy in his statement to the subcommittee, "we have no objection to such an amendment to the bill."

Opposes End to Deposit Insurance Assessment

H. Earl Cook, chairman of the FDIC, argued that it would be unwise to curtail entirely the assessment now levied for Federal deposit insurance. The weight of his argument also was against any further reduction in the assessment rate which, under the 1950 act, had been cut about in half.

"The contribution of the Federal Deposit Insurance Fund to the (CONTINUED ON PAGE 120) benitnal terthe

ing

by

0.).

mu-

by

(D.,

tee.

t of

ney,

each

bluc

sire

0 S0

SSO-

mp-

to

was

n of

e of

zens

t it

Con-

nks

mu-

for

tion

tion

um-

"we

end-

the

un-

sess-

osit

rgu-

ther

rate

been

leral

the

CING

Canada's Orderly Readjustment

N Canada, as in the United States. conflicting views have been expressed as to the condition of business, trade, and employment. On one side political authorities have tried to make out that there is nothing wrong with the national economy except seasonal influences which have always caused a downturn in business activities during the winter period. On the other side, economists like the writer have expressed opposite views, while tempering these with statements that a readjustment to a more realistic and competitive economy need not lead to a depression. Now Government authorities in Canada have had to recognize that economic conditions have not been as good as they professed them to be.

As in the United States, economic elements of an unfavorable character have been at work for a year or more and have overbalanced those of a favorable nature. Yet the readjustment in Canada has been quite orderly and generally of such a nature as to lend itself to improvement. At this time business activity on the whole is about 5% below that of a year ago. However, this figure conceals some extremes. Steel production in the early part of this year dropped about 20%, and, while the output of the automotive trade rose. the sales of motor vehicles were about one-fifth less than in the like period of 1953. Retail sales of consumers' products fell to a smaller extent, although there were marked variations regionally. Thus these sales declined considerably about one-fifth of the country, were almost equal to those of 1953 throughout one-half of the national domain, and increased in more than one-third.

Where Business Is Depressed

These conditions reflect the depressed trade and employment in the textile, electrical appliance and farm implement industries, as well as the lower farm purchasing power of Western Canada resulting from an C. M. SHORT

almost continuous decline in food prices during the last few years and difficulties in marketing abnormally large supplies of grain. Yet the grain growers most affected by these conditions—those in the Prairie Provinces—have not suffered severely. Their marketings of all grains in the last eight months were over 400,000,000 bushels.

Where Business Is Better

The area of Canada where business is better than a year ago is mostly that in which the vast development of newly found natural resources has been underway for some years, mainly of course in the oil, and in iron and other mineral fields now extending from coast to coast and reaching up into the Yukon.

The Federal Government of Canada has decided upon letting private enterprise correct the economic maladjustments which have developed

Canadian Facts

PACTS for businessmen interested in operations "north of the Border" are contained in a booklet of the Imperial Bank of Canada. Its title is Industrial Opportunity in Canada.

The first part of the booklet deals with the country's economic background — geography, climate, population, natural resources, industrial structure, foreign trade, finance, labor. Part two is devoted to business organization, formation of companies, Company Acts, etc. The third part is concerned with taxation of income. There is a map of Canada and an appendix of statistical data.

Copies of the booklet may be requested—on a business letterhead—from the Superintendent of Foreign Business, Imperial Bank of Canada, Head Office, Toronto.

over the last year or so. The Minister of Finance, in submitting his budget accounts about a month ago, stated that the job of readjustments was mainly up to Canadian business.

Current Year Spending Will Show Slight Rise

In the current fiscal year ending March 31, next, the Federal Government will spend about \$4½-billion, slightly more than in the preceding 12 months. These higher expenditures are expected to be covered by Government revenues, notwithstanding some tax abatement on various commodities, notably household electrical equipment. If these expectations are realized the Federal Government will have another small budgetary surplus, the eighth successive since the end of World War II.

The Federal Government's confidence in the ability of Canadian enterprise to overcome the difficulties it has run into is associated with its belief that economic conditions in the United States and Europe are on the mend and therefore that Canada's external trade will improve, in one way by lessening her dependence on American materials and goods, and in another, by a broadening of export markets both in the United States and in Europe.

Foreign Trade Recovery

This view has confirmation in recent external trade reports, which show that Canada's foreign trade, after suffering a midwinter setback, recovered to last year's level, with increases to British Commonwealth countries rising to offset slightly lower shipments to the United States, while imports dropped moderately.

While these changes seem to indicate trends in Canada's exportimport trade for all of 1954, they also indicate that about 60% of Canada's sales and purchases across her own border will be with the United States.

METHODS and IDEAS

Operating Procedures

A substantial part of this month's "Procedures" is the result of BANK-ING'S visit to the 19th Eastern Regional Conference of the National Association of Bank Auditors and Comptrollers, held in hospitable Richmond, Va. The NABACers' quest for improved operating methods—a quest in which every bank, it seems, is taking part these days—sent them on fact-finding expeditions that yielded profitable information. Here are brief condensations of several reports heard by the 600-odd delegates.

Records Required in Support of FDIC Assessment Base

The importance of retaining records used to calculate the FDIC assessment base for the four base days a year, and of having them available when, as, and if needed, was emphasized to the NABACers by Thomas E. Mead, deputy chief of the Audit Division, Federal De-

posit Insurance Corporation, Washington, D. C.

Suggesting the type of records that should be retained, Mr. Mead mentioned first those that would permit verification of the deposits. Few difficulties are encountered here, as the general and deposit ledgers and other subsidiary ledger accounts are most often kept and are generally accessible.

"Some assessable deposits, however," he said, "may not be confined to those accounts which the bank groups under the heading of 'deposits,' but may often include a portion of the 'other liabilities,' exclusive of the reserve and capital accounts which generally include those funds referred to in the law and regulations as 'special purpose funds' or funds held in a fiduciary capacity.

"In the new definition of a base day we find that the records retained must indicate the usual time of closing of the books according to the 'normal practice of the bank,' and the deposits and deductions must be geared to that time. No one can say what particular record should be retained in this respect, but if a bank were to keep its books open later than the normal closing time on any of the base days, it must have records which would show the balances up to the normal cut-off time. This applies not only for deposits, but also for all items of deductions.

fr

Exchange Deductions

"Now for the exchange deductions. The deduction for local clearings is generally the clearings balance on the general ledger, but the proof department daily trial balance or summary that would distinguish some of the major items in this total should be retained in order that the settlement checks may be distinguished from the eligible items.

"The revised regulations also contain a provision which prohibits the deduction of items received by a bank in payment of or arising from the sale or other disposition of its own assets. This refers principally to the items received from the sale of a bank's own securities and the like, as distinguished from the regular payments on notes or mortgages. In the case of outside exchange deductions, the records found most useful for retention are transit department proof sheets or similar records, and copies of the cash letters sent to correspondents. For these the drafts used to transfer bank funds, settlement drafts, and a few other items included in the total of the letters that are ineligible may be determined.

Sendings by Correspondents

"Another item that requires proof by records, which must definitely be retained, is direct sendings by



At NABAC meeting, L. to r., Stanley E. Shirk, Peat, Marwick & Mitchell Co.; Thomas F. Glavey, second vice - president, Chase National Bank; and Robert F. Goodwin, comptroller, Wachovia Bank and Trust Co., and second vice-president of NABAC

correspondents for credit in the reporting bank. It must be possible from your records to determine whether the credit was given to the correspondent bank's account on the base day, that the items are still in process of collection, and whether they would have been collected had they been sent direct to the reporting bank. This deduction is most commonly taken where correspondents mail cash letters directly to the Federal Reserve bank for the reporting bank's account. Here the advice from the Fed for that day should be retained. This will show the items for which the Fed has given immediate credit, as distinguished from those where the credit was deferred. A similar record should be obtained from banks other than the Fed which would distinguish the immediate credit items from the items that remain in the process of collection. A copy of the letter from your correspondent that would show this breakdown would he sufficient

Inter-branch Items

say

l be

if a

open

time

nave

bal-

ime.

sits.

ons

duc-

ear-

bal-

the

шее

nish

otal

the

stin-

con-

the

y a

FOR

its

ally

sale

the

gu-

ges.

de-

nost

de-

ilar

let-

For

sfer

and

the

ible

oof

NG

"Branch banks, claiming interbranch items in the deductions which may be intermingled in letters sent to other banks, should retain copies of those letters which must show a breakdown between the branch and other items, unless other records retained would permit a breakdown. This record is required to distinguish the branch items eligible for deduction under Column F, in their actual count, and the others under Columns B and C in twice their amount.

"The reciprocal bank balance deduction requires records to determine the balances subject to immediate withdrawal, and this may best be determined from the bank statements and copies of cash letters and the general records where charges and credits for cash letters can be identified.

"These are merely highlights to indicate the type of records the bank should have.... Fundamentally, the retained records are those which are a part of the bank's system, are used by it, and are on hand when the assessment figures are assembled."

Mr. Mead suggested that banks prepare a written procedure for calculating the base. "When this is done, a bank has a record to refer to when it comes time to assemble the assessment figures."

New Air Mail System Cuts Float Time

A NEW method of handling air mail is making substantial reductions in the float time of items collected through the SECURITY-FIRST NATIONAL BANK OF LOS ANGELES.

With the cooperation of the postal authorities, the bank now has a mailing address at the Los Angeles International Airport where pick-ups of specially marked packages are made periodically by its messenger. This system bypasses the downtown post office, and saves many hours in clearing and collecting items payable in Los Angeles, its suburbs, and other Southern California communities.

Banks able to get mail into the airport by 8 A.M. can have the items processed and on their way that evening, reports Security-First. More than 90% of the dollar volume involved can be presented for payment on the morning of the next business day.

Banks using this service are provided with special stickers for envelopes and packages that are



Carlo W. Covellone, left, postmaster at the Los Angeles International Airport station, delivers the first shipment of incoming transit items to S. R. Nethercott, manager of Security-First's mail division, and receives an outgoing shipment for quick transport

pouched directly to Security-First at an airport station post office box.

Los Angeles postal authorities say this is the first major arrangement of its kind in the country.

Adequate Bank Insurance

THOMAS F. GLAVEY, second vicepresident of The Chase National Bank, New York, and a member of the A.B.A. Insurance and Protective Committee, gave the conference a report on adequate bank insurance, including, of course, the Bankers Blanket Bond.

Three steps, he said, will aid in evaluating the insurance problem:

- (1) Determine what your exposures are.
- (2) Ascertain to what degree they may be minimized or eliminated.
- (3) Decide whether the bank can safely assume the loss that might result from the exposure, or whether insurance should be procured, and to what amount.

Don't hesitate to call upon the assistance of your insurance agent,

"Methods and Ideas," including "Public Relations," is edited by JOHN L. COOLEY of BANKING'S staff. or to ask him to give you full premium quotations, particularly for higher limits of coverage, which frequently incur only a nominally higher cost than basic amounts. If this procedure is followed you can be reasonably certain that the likelihood of a surprise loss has been reduced to almost the vanishing point, and also that your insurance does not represent a haphazard collection of policies, but a considered program.

The "Insurance Manager"

Every bank should designate one person to make a continuous study of the insurable exposures. This person, in effect, must become risk conscious so that he will consider things that could overnight cause serious loss, Mr. Glavey asserted.

It is the duty of the insurance manager to gather all the facts and consult with his insurance broker, agent or company as to the insurance that would cover the exposure. Then the question can be submitted to management for decision as to

(CONTINUED ON PAGE 111)

Public Relations

Advertising . . . Promotion . . . Business Development . . .

Community Relations

Honoring Correspondents

THE FIRST NATIONAL BANK OF PHILADELPHIA has started a project that looks interesting.

At its 1954 conference for correspondents it presented testimonials to 68 banks with which it had had at least 50 years of association. From now on, banks will receive a commemorative scroll as they reach the half-century mark of their relationship with the First.

Five of the banks honored in 1954 have been correspondents since 1863, the year the bank was chartered. Seven had a 90-year record.

The 68 names were read by Vicepresident Joseph J. Evans.

A New Bank Program For Youth

A BANKER-TEACHER-STUDENT program designed to give young people an appreciation of the importance of money and banking in the American economy and in their own financial planning has been started by First National Bank of Minneapolis.

The program, called "In Account With Youth," is the outgrowth of surveys among 1,600 students, con-



First National Bank of Philadelphia presents "testimonials" to oldest correspondent friends. Here President William B. Walker, center, honors Alvin I. Haines, The First National Bank of Woodston, N. J., left, and Delbert Davis, Farmers & Merchants Bank, Salisbury, Md.

sultations with teachers and educators, and an extensive review of banking instructional aids. Nearly two years were spent on research and planning.

In brief, the program includes these supplemental teaching aids:

For the teacher—"In Account With Youth", a 48-page illustrated sourcebook in two colors containing information and activities for easy integration into units of study at elementary and high school levels.

For class instruction—a series of four wall-teaching charts in color that pinpoint the place of money, banking, and credit in individual and group living:

(1) "My Bank of Values" (for lower grades) stresses character traits essential to building credit: (2) "Money and Banks Help Make History" (for upper grades) shows how the development of money and banks paralleled important developments in history; (3) "Knowing Your Bank" (for high schools) points up common bank services and highlights situations involving the use of a bank; (4) "Your Income: How Will You Spend It?" (for high schools) illustrates how unlimited wants and limited income make wise choices essential in sound financial planning.

For the pupil—"Benches to Banks," a graded workbook-type booklet, contains information and simple problems on the importance of money and banks.

Two additional pupil booklets— "Mind Your Business" and "Count Your Assets"—are now being prepared for junior and senior high schools.

"The basic philosophy of our program is to help the children of today become better citizens tomorrow," explains Lyman E. Wakefield, Jr., First National vice-president. "Unless certain popular misconceptions about banks and banking are corrected, unless steps are taken to fill in a number of voids in the public's knowledge of banks, we bankers may be headed for a difficult public relations task.

"We feel—and in this the educators concur—that to get our story across effectively and lastingly to the citizens of tomorrow, it should be told to them today, while they are still in their formative years."

First National plans to make the program available at modest cost to banks in other cities. It is now being



Two pupils listen to the story told by the four-color wall chart which is among materials distributed by First National Bank of Minneapolis in its "Account with Youth" program

4R



Here's a lobby poster distributed by the Pennsylvania B a n k e r s Association's Educational Foundation for use during "Invest in America Week"

ıl

S

d

d

le

.

h

d

98 al

O

id

O E

nt

0-0-

r-

ld,

ıt.

p-

re

to

b-

rs

ry

ld

he

to

NG

used by 55 Minneapolis schools, and will be introduced by others next

In preparing the program the bank worked with Paul S. Amidon & Associates, of Minneapolis, educational consultants. School administrators in the city and suburbs recommended teachers at every grade level to help develop a tentative outline and working procedure. Next came an attitudes survey among pupils, followed by preparation of experimental teaching materials which were tried out in test centers.

Why People Like a Bank

SURVEY of bank public relations A in Indiana plowed up some pointers on what makes people like

Conducted by the Public Relations Committee of the INDIANA BANKERS ASSOCIATION, the study was in the form of a questionnaire. The first question excavated a list of goodwill builders that can be used everywhere, so let's take a closer look.

Question 1 read:

Sometime during the past year, someone or some group of persons in your community has said to you: "I certainly want to thank you for your interest in so and so," or "It was nice of you to furnish the material for so and so," or "We are so pleased that so and so from your bank could attend so and so." Try to remember why these things were said. Let us know in the following space.

Home-Made Displays

JULIAN MARWELL

The author is a New York builder of bank displays.

I MAGINATION and ingenuity, coupled with "beg and borrow" and some time, can produce lobby or window displays that are timely, eye-catching, interesting, and sales productive.

Employees, customers, friends, museums and collectors are fair game as sources of display material. The trick in convincing people to lend you their items is to sell them on the idea that you are giving them, in exchange, valuable space. A card crediting the lending source is helpful.

You can bring home improvement loans to the public's attention quite forcefully by means of a simple display. Borrow a few planks, siding, shelving, kegs of nails, bricks, shingles, cans of paint, brushes, tools, etc., from a customer in the building supply business. Arrange the material as in the accompanying sketch, or to meet the physical requirements of your window

The sales message, roughly handlettered to simulate brush strokes. should be your only cash outlay-say \$5 to \$10. It can read something like Repaint NOW, with the help of a Renair low cost HOME IM. Remodel PROVEMENT LOAN!

Stop in Today for Details Place the sign prominently, attaching it with spikes or roofing nails to a plank. Don't try to be too exact with this type of display. Everything should be in character with the materials used.

A more elaborate display—one that will take a bit of doing, but will keep your customers talking and saving for a long time-can be prepared as fol-

Borrow a small boat, outboard motor, manikin, fishing clothes, tackle from local stores. Pin a card on each item showing the purchase price and how much must be saved each week for 50 weeks to accumulate that price. The theme is "Steady saving is the way to HAVE things," or "Make your next vacation perfect . . . start saving for it today."

Two suggestions:

Don't let any display remain more than 30 days. It's better to leave the window empty until the next display is ready.

Make certain that any lighter. smaller, expensive items in a display are securely fastened. Otherwise they may disappear!

Rough sketch of a suggested home improvement loan display



that had brought compliments to Indiana banks:

Use of bank for civic meetings: women's finance forums, teaching America and 4-H Clubs (clerk sale, aids for schools: Business-Industry-

Here are some of the activities school children; loan of movie projectors; counting cash in charity drives; flower and motor boat shows: aids to Future Farmers of livestock judging, extension commit-Education Day; bank tours; talks to tee banquet, purchase of prize animals, etc.); favors for parties; daily newspaper furnished to hospital patients; banking service on unusual holidays; personal calls; adding machine furnished to high school; presence of a bank officer at public meetings; "Welcome Wagon" sponsor.

The survey also revealed that although 67% of the banks replying had no "planned public relations program," 75% were engaged in school relations, including use of films and educational pamphlets developed by the A.B.A. Public Relations Council, bank tours by high school classes, and return visits by bankers to the schools.

A majority of the answering banks also sponsor public relations programs with farmers. Among the activities were: stock and grain clubs; soil conservation; scholarships for short course; work with county farm agent; Better Pasture Program; agricultural institute; dairy herd improvement; corn and potato club; prizes and trophies; gifts of farm record books; daily posting of grain and livestock market on lobby bulletin board; cooperative work with 4-H Clubs and FFA.

Eighty-eight percent of the banks replying said they had not promoted women's forums; 99% had done nothing with forums for men.

A majority said they did not have a staff speaker available for talks before local organizations.

"Pay One Ice Cream Cone"

At its 60th anniversary open house, The Pioneer (O.) Banking Company issued to each young visitor a check good for one ice cream cone at either of two local restaurants.

The town has a population of 800, but more than 300 of the checks

Here's an ingenious exhibit for a home show. On the 8-foot wheel attractive models of bank services. The wheel moves counter-clockwise at a 45-degree angle, while the model large house in the center turns slowly clockwise. A delicate device keeps the individual items facing forward. The exhibit was the idea of P. R. Officer J. E. Barnes



were signed by L. H. Bollinger, the executive vice-president.

Do You?

In a talk to The Savings Banks' Association of Connecticut, Parker O. Bullard, assistant treasurer of the Home Savings Bank, Boston, asked some questions. For instance:

"Do you write to your new mortgagors thanking them for being able to help finance their new home, at the same time inviting them to make use of your other services?

"Is there a reminder in your monthly interest notices about a repair loan, Christmas or Vacation Club, saving-by-mail, register checks?

"Do you write to your mortgagor who is never delinquent?

"Do you write a letter of thanks to your new depositors calling attention to other services, especially home financing?

"Do you welcome back a former depositor?

"Do you thank an attorney or a depositor for the new account he sent you?

"Do you give a pat on the back to the depositor who is building up his account with regular deposits?

"Do you tell a depositor who closed his account that you hope he'll be back some day?"

More Bank Scholarships

Four continuing scholarships to encourage young people to prepare for banking and business careers have been provided by THE OUACHITA NATIONAL BANK of Monroe, La.

President R. L. Vanderpool, Jr., announced that the bank had set up a \$7,500 trust fund for Northeast Louisiana State College at Monroe. This amount and subsequent contributions will be invested by the fund's trustees and the income used for tuition and college charges for the four-year college careers of the students selected. One scholarship will be awarded annually.

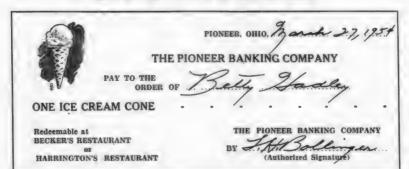
The awards will be made each year at the college's commencement exercises by the bank's president. Winners will receive a plaque designating them as "The Ouachita National Bank Student of the Year."

Trustees of the fund are Mr. Vanderpool, as president of the bank; President Lewis S. Slater, of the college; and three bank directors.

Staff Runs Open House

An open house planned and executed by the employees brought (CONTINUED ON PAGE 116)

More than 300 "checks" like this were cashed



A School for Bank Examiners

by the Comptroller's Office, the Board of Governors of the Federal Reserve System and the FDIC, it's a symbol of these agencies' cooperation toward the goal of better bank supervision



P. C. WILKINSON PHOTO

This is the Spring '54 class at the School for Assistant Examiners. Instructor Benjamin F. Groot (Federal Reserve Bank of Boston) is reviewing with the students their quiz papers on "Fixed and Other Assets"

JOHN L. COOLEY

ra

ack up

s?

sed

be

pre-

ca-

THE

fon-

Jr.,

t up

east

POR.

atri-

the

used

for

the

ship

year

ex-

Win-

nat-

onal

Van-

ank;

col-

ex-

ught

ING

The country's most-examined bank doesn't have a dime. And nobody seems to care, the examiners least of all.

It has ledgers, accounts, machines, a bond portfolio (solid Governments), stock certificates, a statement. But the depositors and borrowers are just lists of names, and there are no shareholders, no securities, no money.

The three Federal supervisory agencies won't let the poor thing alone. Its books are wearing out from many goings-over; its records are dog-eared. When errors turn up,

nobody is disturbed. Errors are supposed to turn up in this bank.

Now don't bother to report these shenanigans to the Office of the Comptroller of the Currency, or the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation. They know all about this bank. They started it and they run it, right in the heart of Washington, D. C.

Let's stop the double talk and say frankly that our unorthodox banking institution is the Inter-Agency Bank, and that it's part of the Inter-Agency Bank Examination School conducted jointly, in the Federal Reserve Building, by the Comptroller's Office, the FDIC, and the Fed. As a demonstration or practice bank, the I-AB provides realistic laboratory facilities for the beginner students.

The bank, of course, is only an interesting, easily dramatized gadget in a school that joined the Education-for-Better-Banking family about a year and a half ago. Symbolizing the friendly cooperation existing between these three Federal agencies in reaching toward a common goalbetter bank supervision-the school was established by them jointly as a means of improving training procedures, shortening the training period, and producing better examiners. It's also working for the improvement of examination procedures and for a more thorough system of analysis of bank policies and practices by examining personnel.

Actually, there are two schools: one for experienced assistant examiners (or newly appointed examiners), the other for beginners. Both sections are under the supervision of a committee of associate directors representing the agencies: Edward H. DeHority, assistant chief, Division of Examination, FDIC; Henry F. Quinn, assistant chief national bank examiner, Office of the Comp-



Miss Helen B. Wolcott, School secretary, checks records while Student John J. Mohan consults with Instructor Robert M. Browning (FDIC), and Instructor Alexan-Jr. (Comptroller's Office) discusses a ledger problem with Student E. L. Petroske

June 1954

"Bank Without a Dime"

It's always Examination Day at the Inter - Agency Bank. The photographs on these pages show the students at work checking the various departments



Student Examiner Joseph A. Stecher, center, arrives at the Inter-Agency Bank with Assistants Raymond E. Talbot and David G. Hoffman. He presents his credentials to "Cashier Zinn" (Miss M. Patricia McShane of the School staff)

troller of the Currency; and Glenn M. Goodman, assistant director, Division of Examinations, Board of Governors of the Federal Reserve System.

Each section—the School for Examiners and the School for Assistant Examiners, to give them their formal names—holds two or more sessions a year. The students come from the examining staffs of the agencies, which also provide instructors. In the four-week senior course, bankers from many parts of the country, outstanding in their fields, lecture to the students, supplement-

ing the regular faculty of examiners. To date nearly 250 men, ranging from beginners to veteran assistant examiners and newly appointed examiners, have studied at the school.

Instruction consists of lectures, seminars, assigned reading, and (in the case of the five-week junior school), practical examining experience in the Inter-Agency Bank. The assistant examiners study essential bank records, bank control accounts, the general ledger—that's the core of the course because it's the core of a bank—cash examination, flow of transactions, tracers and recon-

cilements, account segregations, reports of condition and earnings, to sample the curriculum.

The seniors' school, obviously, is more advanced. There the men get analysis of financial statements, bank credit files, loan administration and supervision, function of reserves against deposits, Government securities and the money market, investments, bank tax problems, courses in credit, examining techniques.

Teaching materials include numerous books, pamphlets and studies prepared by various departments of the American Bankers Association,

John W. Patterson, left, verifies the cash of Teller Mc-Shane; Joseph M. Ream, center, examines cash items; and Bertram M. Breit verifies the cash of Teller Bartz, seated

Checking account and savings ledgers are listed and proved by *l. to r.*, J. J. Molesphini, R. C. Burton, R. C. Christiansen, and R. B. Higgins. Instructor Browning supervises







The bank's capital stock records are examined by, left to right, George J. Hix, seated, Joseph P. Haupt, Gordon L. Wold, and Harold G. Welkener, seated



The Inter-Agency's instalment loan ledgers are listed by Charles H. Paterson and Harry J. Cross under the direction of Instructor Sample

among them BANKING. Films are used, too.

to

is

et

S.

E

es

i.

t-

es

of n. It's a temptation to return to that dimeless bank and see what the neophyte examiners do. As you've probably guessed, the I-AB is to all intents and purposes the real McCoy. With assets of just under \$4,000,000 and deposits approximating \$3,500,000, it is set up for a general banking business. Actually, it's a composite of several small—and real—banks.

The beginner had better have his wits about him when he steps into the bank (Room 2217, Federal Reserve Building) that first morning. Chances are the teller will have re-

moved the FDIC sign, and Mr. Examiner, Jr., should notice the absence.

Also, numerous errors have been made in the books—on purpose, naturally—and it's well for the student if he catches them as he works his way through the departments.

Even if the I-AB has no cash, it borrows several bagsfull for the day of the practice cash examination. And on another day the juniors go to the Treasury Annex for a check of actual securities. They're trained in counting currency. They study the flow of transactions through the teller's window, proof department,

individual books, savings ledger and general books. They have one seminar at a Washington investment banking house where the physical characteristics, negotiability, and marketability of bonds and stocks are explained. And there's also a seminar at each of the supervisory agencies for a thorough briefing on its functions.

Well, you know what a wise man said about the comparative value of words and pictures. So why not let the photographs that go with this story take you on a tour of the Bank Without a Dime?

Examination of cashier's checks and certified checks by James C. Smith, seated, K. W. Duke, A. J. Schmidt, Ambrose E. Murphy, Charles E. Vasoll, and Edward M. Reilly, seated, right



Instructor Neal T. Moore (FDIC), seated, discusses examination of Earnings and Dividends Report with Donald L. Whiteman, D. E. Plaster, John A. Frederick, Jr., Robert L. Mowrey, and Elmer W. Fletcher



Stonier to Retire January 1 — Selecman Chief Executive Officer

ESOLVED, That the Association regretfully accedes to Dr. Stonier's request that he be permitted to retire as Executive Vice-president of the A.B.A. effective as of January 1, 1955 . . . "

A.B.A. President Everett D. Reese was reading a resolution of the Administrative Committee to the Spring Meeting of the Executive Council of the A.B.A.

In type, these words convey little of the electricity which ran through the gathering. It was generally supposed that Dr. Stonier might be willing to serve beyond this time.

Dr. Stonier does not contemplate immediate severance of all A.B.A. ties. He will continue as director of The Graduate School of Banking, and he'll become a member of the Administrative Committee ex officio.

When President Reese finished

Dr. Stonier Will Not Sever All Ties With A.B.A.... Continues as Director of The Graduate School of Banking... Merle E. Selecman Will Be Chief Staff Officer.

reading the resolution, he called upon Dr. Stonier, who immediately did a most characteristic thing. He announced happily that his action was quite evidently the proper one because "I have never had such applause in connection with anything I did or said as you just gave me this morning."

Harold Stonier came to the American Bankers Association as an edu-

cator. He was born in San Jose, California. He attended the College of the Pacific and took work also at the University of California and at Columbia University. He was awarded his master's degree and his doctorate from the University of Southern California. He served as vice-president of the latter institution from 1923 through 1927, after spending some time in the investment bank-

Dr. Harold Stonier



Merle E. Selecman





At a typical session of the A.B.A. Executive Council at its Spring Meeting in White Sulphur Springs, West Virginia, these A.B.A. folks, left to right, are: Henry M. Sommers, secretary and assistant general counsel; Merle E. Selecman, executive manager; Harold Stonier, executive vice-president; Everett D. Reese, president; Joseph E. Hughes, chairman of the board of regents of The Graduate School of Banking; Homer J. Livingston, vice-president; Sherman Drawdy, treasurer; G. H. Townsend, comptroller

ing business. In 1927, he was named national educational director of the American Institute of Banking and held this post until 1940. Meanwhile, he had been made executive manager of the A.B.A. at the Association's convention in Boston in 1937.

Contingency Foreseen

ge

at at

d-

C-

h-

e-

n dPreparation for the transition in the A.B.A. management was undertaken at the convention at Atlantic City in 1952. At that time, the office of executive vice-president was created. Dr. Stonier was advanced to it, and Merle E. Selecman was advanced from deputy manager to executive manager. With Dr. Stonier's retirement, the office of executive vice-president will be abolished and Mr. Selecman will become the chief staff officer.

When called upon at the Executive Council meeting, Dr. Stonier mentioned nothing of his career, except to say: "Through the years you have been very gracious to me. I have been very happy in my work."

Other people have had plenty to say, though. President Reese, at the conclusion of Dr. Stonier's remarks, declared that "there is just no way to measure the contribution that Hal has made to his country, to banking as a whole, and the American Bankers Association. Of course, words cannot express the love and affection that all of us have for him and the deep appreciation we have for the marvelous vision and inspiration that he has given to this organization and to many other facets of our entire country."

The Philadelphia Inquirer ran a feature on the coming retirement of Dr. Stonier, referring to him as "Mr. A.B.A.," and "Mr. Banking." The American Banker, in an editorial two columns long, rehearsed much of Dr. Stonier's history with the A.B.A. "He moved in the background," said the editorial. "Occasionally, when he had something to say to his ever-widening circle of A.I.B. and G.S.B. graduates - and only when he had something to say -Dr. Stonier was a speaker. He would have made a great orator, endowed with a resonance of voice and a wordmanship that would have made him famous in the days of great orators. The very fact that he always seemed to have more to say than he said, and that he had so much in reserve, made his relatively few public addresses-relatively few for a man in his position and ability as a speaker-memorable.

"The same ableness of education and understanding of his fellow man made him the genius that he proved himself to be in dealing with the diverse problems and differing elements in the A.B.A. membership. The Association and the nation were surely fortunate to have his guidance in what were probably chartered banking's most difficult years."

In his remarks to the Executive Council, Dr. Stonier chose to look ahead. "I should like to talk," he said, "about another man. About 30 years ago we used to bring into the staff at the time of the convention a big, tall boy from Missouri to help us with convention publicity. He was a newspaper man up in Missouri.

Later he was employed by the Association. Merle Selecman went to work in our publicity office. A few months later he established the Advertising Department of the Association, . . . the department which now regularly serves some 9,000 banks, large and small, throughout the country. Later he served for a number of years as our Deputy Manager in charge of our Trust Division. . . .

"In Merle Selecman you have a man who can carry on the trustee responsibility of the office of executive manager. I am sure that as years come and go you will be very happy of the action that the Administrative Committee has suggested."

Mr. Selecman was born in Maryville, Missouri. He attended the University of Missouri, received his A.B. from Northwest Missouri State College and his A.M. from Northwestern University, Evanston, Illinois.

Selecman Was Journalist

He was engaged in newspaper, advertising, and publicity work in the Midwest for 10 years. He taught English and journalism at Northwest Missouri State College and Northwestern University.

He joined the American Bankers Association in 1928. In 1937 he was named deputy manager in charge of the Trust Division, and in 1944 he became secretary of the Association, continuing to serve as deputy manager in charge of the Trust Division. In September 1952, he was advanced to executive manager by the Administrative Committee, continuing in charge of the Trust Division.

GOVERNMENT BONDS

No let-up in policy of "active" credit ease . . . Rediscount rate reduced . . . Reduction in reserve requirements a possibility . . . Cost of Treasury bills records 7-year low . . . Treasury gets \$3-billion new money . . . Exchange offer for June maturities about as expected . . . Market continues to be firm . . . Business loans decline further . . . Outlook for business warrants belief in continuance of easy money policies

MURRAY OLYPHANT

Tust about as anticipated, the Treasury decided to get \$3-billion of new money before June 30. It got that amount by selling \$1-billion TA bills dated April 27 and due on June 18. Total subscriptions were almost three times the amount offered. The average cost to the Treasury was 0.748% per annum.

Then on May 3 came the offer for cash subscriptions of \$2-billion of a 11/8% note dated May 17 and due February 15, 1959. The subscription books were open for one day only. Except for the fact that commercial banks were restricted to subscribing for an amount not exceeding onehalf of their combined capital, surplus, and undivided profits as of December 31, 1953, total subscriptions might have been seven to 10 times the amount offered. However, allotments against subscriptions were expected to be a little below or above 20%. Once issued and selling in the market, a value of between $100\frac{3}{4}$ and $101\frac{1}{4}$ was expected by the sharp pencil fraternity.

The four-year-and-nine-month maturity was a little longer than had been anticipated, but the coupon was attractive and heavy bank subscription was assured. In fact, the terms were sufficiently generous to attract others than banks to jump on the band wagon for the expected premium.

Exchange for June Maturities

About \$4,800,000,000 25% % certificates mature June 1. Nearly \$2,-

500,000,000 bonds are due on June 1 or called for payment on June 15. The bonds could only be exchanged for a new 1-year $1\frac{1}{8}\%$ certificate due on May 17, 1955. The holders of the maturing certificates could exchange for either the new $1\frac{1}{8}\%$ notes. With the premium to be expected for the $1\frac{1}{8}\%$ note it was not surprising that the holders of the maturing certificate should prefer the higher coupon and that more than \$3-billion of the new notes were taken.

As for the bond maturities, a nearly complete roll-over for the new certificate was assured, as the interest adjustment provided that the higher coupons on the bonds to be exchanged would run to their respective maturity or call dates, while the lower interest rate on the new issue would be charged to the same dates.

It is hard to see why any holder of the maturing or called issues would not accept such an exchange except through oversight.

No More Cash Financing before June 30

Thus the Treasury gets \$3-billion new money for the general fund and is now all set until June 30, with the likelihood that there will then be about \$6-billion left in the general fund. Thereafter, deficits month by month will need substantial amounts of new cash financing. It is too soon to start guessing as to the character

of that financing. What it is will certainly be keyed to existing business conditions.

tion So Tre

Red

pres

ach

long

dep

tral

tha

hov

rate

lior

ave erii

100

Rediscount Rate Reduced

So far as the policy of "active" ease in the money market (recently reaffirmed by the Board of Governors of the Federal Reserve System) is concerned, the month of April was a repetition of March, with the added fillip that the rediscount rate was reduced from 1%4% to 1½%. There was really nothing in the money picture which required such action, as the reserve position of the member banks remained very comfortable, with "free" reserves averaging over \$500,000,000 week by week.

However, short-term money rates, as indicated by the cost of commercial paper and by the decline in the yield on Treasury bills, had fallen to a point where the spread between them and the rediscount rate was so wide that some correction seemed to be needed. At least so the monetary authorities seemed to feel.

Referring to the reduction in reserve requirements in a speech on April 15, Secretary Humphrey went on to say that "The Treasury has purposely done its financing in a way which would not interfere with the availability of long-term investment funds to corporations, state and local governments and for mortgages to home owners. We want to be sure that plant and equipment, home building and other construc-

tion all have ample available funds."
So the Federal Reserve and the
Treasury are in complete accord as
to what should be done.

Reduction in Reserve Requirements Next?

.

-33

e"

tly

ern) as

is-

%

ng

ed

on

ry

res

by

es.

er-

he

to

ध्यात

ras

ed

ne-

re-

OTI

ent

128

a

ith

st-

ate

rt-

to

nt,

uc-

NG

Everyone is aware—although no one does anything about it—that the present reserve requirement schedule for the member banks is an anachronism. Times have changed. No longer are credit facilities and bank deposits primarily stored in the central reserve cities, nor does there seem to be justification for freezing so large a part of demand deposits as a safety measure. It is high time that the whole question was reviewed and brought up to date. That, however, is beside the present point.

Reducing reserve requirements differs from lowering the rediscount rate in that a certain number of billions of dollars becomes immediately available to the member banks. Lowering the rediscount rate merely makes borrowing from the Federal Reserve less costly. No bank is forced to borrow.

Reducing reserve requirements, however, gives the individual bank more free reserves at once. Were reserve requirements to be reduced under present conditions, some additional loans might be made, but the bulk of the newly available funds would find their way into the Treasury bill market which—unless the Treasury were to increase the supply—could then be expected to record very much lower yields than even the present low levels. Is this desirable?

Perhaps a more logical reason for a reduction can be found by looking ahead to a period when it might again be desirable to restrict credit. Present requirements are not much below the legally permissible maximum. Were reserve requirements to be reduced, there would be more room to put the brakes on inflationary credit developments. On this

basis some further reduction might be justified. Currently, however, it is difficult to see any immediate need for adding to the credit supply unless the business figures slump off much further than any of the forecasters seem to expect. If reserve requirements are reduced it would appear that the monetary doctors regard the condition of the patient as more critical than their previous diagnosis had indicated.

New Lows for Treasury Bills

This is the record for April:

	LAW AN	CARO .		0200 000		
					per	annum
Bills	dated	Apri	11:	average	price	1.063%
66	66	-66	8	66		1.013%
46	6.6	6.6	15	66	66	1.066%
66	66	66	22	66	46	1.027%
66	6.6	66	27*	66	66	0.726%
68	66	66	29	46	66	0.886%
66	66	May	6	66	66	0.773%

*This was the \$1-billion of tax anticipation bills sold for new cash.

The fact that, in spite of the lower return, Treasury bills continued to be in demand is shown by noting

(CONTINUED ON PAGE 104)

Investment Markets

H. EUGENE DICKHUTH

The investment markets showed good response to the heavy offerings of new securities provided by underwriters. In May, absorption of new bonds and stocks was more satisfactory than in April in the general atmosphere of easy money which has dominated Federal Reserve and Treasury monetary policy for some time.

There are no indications of a change in signals, even though questions are being heard in financial quarters of just how far easy money will be allowed to go.

It drives up bond prices and reduces yields. This is a temptation to profit-taking. At the same time, in a rising market and under conditions of constantly rising savings, the necessity for reinvestment is paramount. Thus, profit-taking is less of a temptation than it appears on the surface.

At the present time, easy money and low interest rates are desirable instruments of Government policy. They make it easier for states, municipalities, and other local governments to sell bonds for the construction of roads, hospitals, new schools, airports, and whatever else is required for local improvements.

Indeed, a huge public road building program is under way and a series of new turnpike issues has made its appearance recently. Federal financial help is also being injected in this picture by Congressional dictum in order to stimulate local employment and construction. Unless the economic trend changes radically, this policy is likely to continue.

Public offerings of more than \$1-billion in bonds

characterized the underwriting markets in April, even though there was a decline in stock flotations.

Bonds offered totaled \$1,041,140,000 in 85 new issues. They were the largest since December and compared with \$762,750,000 for 110 issues in the preceding month and \$697,369,000 covering 77 issues in April 1953.

More than half of the new bonds floated were for states and municipalities. In the first four months of 1954, \$3,222,832,000 new bonds in 363 issues were publicly offered, compared with \$2,600,353,000 for 357 issues in the like 1953 period.

F LOTATIONS of new stock in April totaled \$83,223,-000 for 15 issues against \$133,599,000 covering 17 issues in March. However, the April aggregate was more than double the \$40,886,000 for 14 issues marketed in April 1953.

New stock financing in the first four months totaled \$284,492,000, representing 51 issues. This compares with \$288,029,000 for 52 issues in the comparable period of last year. Stock issues this year are the smallest since 1951, when \$212,644,000 were marketed in 45 issues.

While trading on the New York Stock Exchange receded slightly in April from the month before, it was the largest for April since 1950.

The share turnover for the month of April was 43,867,215 shares, compared with 44,132,383 shares in March and 34,370,236 in April 1953. Stocks made new highs since 1929-30, depending on the index used in comparison.

Up to Date Bank Audit and Control

CHARLES A. AGEMIAN

The author is vice-president and comptroller, Bank of the Manhattan Company, New York City. He is on the Commercial Banking faculty of The Graduate School of Banking where his subject is audits and controls. He also teaches at New York Chapter, American Institute of Banking, and is a professor in advanced accounting at Pace College, New York.

THE rise in bank defalcations during the past five years demands a course of positive preventive action on the part of every banker. All too often a sound audit and control program has been relegated to the background; however, it unquestionably becomes more important each day.

The difficulty encountered in finding qualified personnel is of course an important contributing factor in the weakness or total absence of an effective program. It is therefore important that steps be taken to correct this situation by furnishing protection against present contingencies and by providing for future growth and expansion.

Three New A.B.A. Studies

Three important studies have been recently published by the American Bankers Association. They are:

- How to Set Up an Audit Program in the Smaller Bank;
- Operating Controls for Bank Instalment Credit;
- A Guide for Spot Check Audit Control (for departmentalized banks).

This material on better auditing is now ready for practical application. Smaller banks are fortunate to have the extensive manual prepared for them. Instalment credit audit operations are well covered in the booklet on this subject. A manual for "spot checks" for departmentalized or medium-sized banks is presented in the well-outlined Guide. One of the

main purposes of this publication is to assist the larger banks that have not placed enough emphasis on audit protection and assure such banks that have audit programs that their controls are adequate. One of the most important problems confronting modern banking today is: "How can directors and management be assured that the records of the bank reflect its true condition?" As the Guide points out: "... the best approach to this problem is an adequate internal program of audit control..."

The Directors' Responsibility

Examinations by supervisory authorities represent primarily an appraisal of asset control and management; therefore the primary responsibility for the establishment of an audit program and controls rests with a bank's directors. The courts have held that they are required to use ordinary care and prudence in the administration of bank affairs. If they fail to do so and a loss occurs, they are liable in a civil action for damage. They are in an especially precarious position if the absence of and need for such controls have been brought to their attention by supervisory personnel.

The CPA as External Auditor

Auditing at the level of the smaller bank is also available by retaining the CPA as an external auditor. The banker is greatly assisted by the CPA, who is accustomed to preparing audit programs as a necessary part of his job. Behind him is a good and extensive background in accounting and auditing techniques.

Moreover, the CPA has an intimate knowledge of accounting systems and operating procedures. Suggestions from him will direct the bank in establishing more efficient and economical procedures and operations, as well as basically molding an effective internal control. Economy-wise, such public accountant auditing is best suited for the smaller bank.

Some of the services rendered by the CPA are: (1) Reviewing the internal control system and auditing activities; (2) Establishing an internal auditing department. However, the external auditor should never be a substitute for a continuous audit program, but rather a periodic reviewer of such a program.

What a GSB Survey Showed

As a means of assisting in an evaluation of their own audit programs, one of the projects assigned to the students attending the course in audit control at The Graduate School of Banking given by the writer is completion of a questionnaire identical to the one in the ABA manual, How to Set Up an Audit Program in a Small Bank. Following are a few deficiencies which came to light. They are compounded by the fact that of the 200 banks which participated, slightly over 50% have assets of over \$100,000,000.

- 50% did not confirm demand deposit balances by direct correspondence with depositors.
- 2. 45% did not confirm loan accounts by direct correspondence with customers.
- 3. 50% did not have the vault door or reserve cash under dual control.
- 4. 40% did not check all return items received within a period of 10 days after an audit of cash items in order to verify that they were proper transactions.
- 5. 40% did not have "an unannounced monthly trial balance taken of all sections of the ledger by someone other than the bookkeeper who posts the individual sections" and 25% did not have a rotation program for bookkeepers.
 - 6. Over 30% did not have nego-(CONTINUED ON PAGE 60)



ant

the

by

in-

ing

in-

OW-

bluc

tin-

r a

am.

val-

ims.

the

au-

nool

r is

len-

naî.

ram

0 2

ght.

fact

ticisets

and rre-

ac-

with

door

turn f 10

s in

oper

nan

ken me-

who

and

ram

ego-

LING

"At Lynwood, our Gunnisons outsold conventional homes

6to1"

says E. L. Bowles, President, E. L. Bowles, Inc., New Haven, Conn.



MODEL HOME. This tastefully-decorated Coronado is open for inspection from 2–9 P.M. daily. A hostess welcomes prospects on weekends. Local department store furnished the home in return for promotion assistance.





NATURAL BEAUTY. Wherever possible, E. L. Bowles, Inc. preserves the trees and other natural advantages of the land.

"Gunnison", "Champion", and "Corenade"-trade-marks of United States Steel Homes, Inc.

United States Steel Homes, Inc.



GENERAL OFFICES: NEW ALBANY, INDIANA

Plants at New Albany, Indiana, and Harrisburg, Pennsylvania

DISTRICT OFFICES: Atlants, Gs. • Chicago, Ill. • Columbus, Ohio • Dallas, Tex.

Harrisburg, Ps. • Louisville, Ky. • Newark, N. J. • Omaha, Neb.

In September 1952, E. L. Bowles, Inc., United States Steel Homes Dealer in New Haven, Connecticut, secured land options in a development called Lynwood, where conventional houses were being built.

Mr. Bowles told us: "We built and sold 10 Gunnison Homes that fall. The next spring, when we opened our model home, we sold 33 Gunnisons in one month. Of the total of 52 people who bought in that development, 45 bought Gunnison Homes instead of the competing conventional homes. That's solid proof that Gunnisons have more sales appeal.

"Right now, we're concentrating on Champions and Coronados. We can build a 28' x 24' Champion in about 212 man-hours, including roof shingling and all cleanup. A 40' x 24' Coronado requires 295 man-hours.

"The large number of Gunnison Homes designs make it possible to build for almost any market in the low and medium price range."

Like every United States Steel Homes Dealer, E. L. Bowles, Inc., is a successful local builder with years of experience in home building. This dealer gears his homes to the local markets to assure continued success. He has the backing and active assistance of United States Steel Homes.

Write for information about the attractive investment possibilities offered by products of United States Steel Homes, Inc.

HOW THEY DID IT

- 1. Building prefabricated Gunnison Homes: exceptional home values at attractive prices.
- 2. Adapting operations to market conditions, Currently developing planned community of Gunnison Homes priced from \$9195 to \$12,500. Lots average 100' x 180'.
- 3. Maintaining trained construction crew of 7 men all year. Crew is enlarged to 20 men during building season. 40' x 24 homes require 295 man-hours to complete. Buyers move in 3 months or less.
- 4. Planning every development well in advance of actual construction. Local government approval and financing made easier because all Gunnison designs are accepted by VA and FHA.
- 5. Obtaining financing from local sources. Variety of Gunnison designs, excellent sales appeal, and quality construction make these homes good investments.
- 6. Letting home "sell itself" by featuring well-furnished model home. Local advertising, in newspapers and radio, tied in with extensive nationwide promotion by United States Steel Homes, Inc. Good use made of newspaper ad mats supplied by United States Steel Homes.

SUBSIDIARY OF UNITED STATES STEEL CORPORATION

(CONTINUED FROM PAGE 58) tiable collateral under dual control.

7. 25% did not require board approval to charge off assets; and 50% did not keep charged off assets under dual control. Over 45% did not require the prior approval of the board of directors for entries to the reserve account.

8. 45% did not recheck the computations of service charge analyses by someone other than the employee who originally analyzed the accounts; and 35% did not "spot check" at irregular intervals a certain number of service charge analyses to determine their accuracy, that the accounts were properly charged and that the income account was credited.

It is evident that efficient auditing programs are in the minority and that the key to modern banking is better auditing.

"Capable Men Are Needed"

Internal auditing is a system. To be effective it must incorporate certain features which have been ignored until only recently. The purpose is to go beyond the figures of a statement and ascertain whether they accurately reflect the situation. However, modern audit and control techniques cannot be effective unless responsible men administer them. Capable men are needed in bank auditing to establish and administer an effective program.

An auditor should possess certain basic characteristics. He must have a fairly good education not only in accounting and auditing, but also in bank operations. He must have an attractive personality and know how to deal with people. He must be able to think dynamically-that is, the ability to recognize and deal with new and radical problems which are an intrinsic part of the work of his department. He must have courage to advance and advocate new methods that will enable him to carry out the duties of his office with more telling effect. He must have a certain ability to interpret and write reports. But above all, he must have imagination which is the springboard for all these qualifications.

The Comptroller's and the Auditor's Responsibilities

Internal auditing is a valuable and necessary bank function, but it must

be freed from the shackles of subordination to a department whose controls it purports to evaluate. No man can walk two roads at the same time. This has always been an important feature of internal auditing, and only lately have outside accountants and supervisory authorities been demanding this management set-up for banking.

The comptroller should be responsible for:

- (1) The proper recording of financial transactions and improvements in the accounting methods and banking operations.
- (2) Reports, internal statistics and data concerning financial condition and analyzing and comparing the results.
 - (3) Insurance coverage.

The auditor should be responsible for:

- (1) The verification of the accuracy of the records.
- (2) The controlling of all financial transactions and the providing of a system of internal check that will guard against inaccuracies and frauds and compliance with statutory and bank management requirements.

It should be noted that the emphasis placed here is not on the title of comptroller or of auditor, but rather on the respective duties and functions of the jobs.

Recently, the Superintendent of Banks of the State of New York has made an unequivocal expression of his opinion regarding the autonomy of the auditor and his department.

In his report for 1953, he recommended that:

(a) every bank have an audit program; (b) have a qualified auditor, either on a full or part-time basis, responsible to the directors, be appointed to carry it out.

A Division of Functions

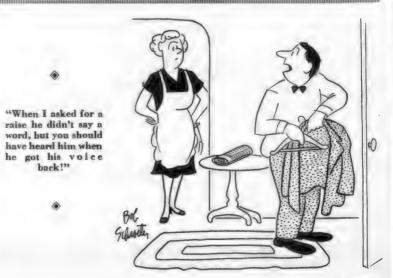
Today banking authorities are beginning to recognize that there should be a dichotomy as regards the auditor and the comptroller. The New York Superintendent's report clearly encompasses the better and more recent view.

The auditor, both internal and external, is now recognized as holding an independent position. A source of this independence arises from the need to place the auditor beyond any form of pressure or financial interest. As a parallel study, it should be noted that a basic feature of SEC Regulations, SEC 2-01, is the independence of professional auditors or accountants and such section states:

"The Commission will not recognize any certified public accountant or public accountant as independent who is not in fact independent. For example, an accountant will not be considered independent with respect to any person in whom he has any substantial interest, direct or indirect...."

Because of the very nature of the function of the auditor, a division of responsibility is called for.

Management's conviction that auditing and the auditor are requirements in modern banking is necessary today.





One word you'll never find in our dictionary

As our Correspondents all over the country know, the Manufacturers way of transacting business is the personal, alert, non-routine way.

That's why more and more bankers all over the country are turning to Manufacturers for Correspondent services.

Manufacturers Trust Company...

EVERYBODY'S BANK

Head Office: 55 Broad Street, New York 15, N. Y. Member Federal Deposit Insurance Corporation

0

ING

li-



The Recordak Junior Microfilmer combines microfilmer and film reader in one compact unit. Semi-automatic in operation. Takes 40 or more pictures a minute.



The Recordak Bantam Microfilmer, the desk-top microfilmer that photographs documents at 40-1 reduction. Over 500 check fronts per minute.



The Recordak Duplex Microfilmer photographs fronts and backs simultaneously at high speed and high reduction. Endorses or cancels in same operation,

tic up

1

One of these Recordak

All the advantages of modern

You know how microfilming cuts cost in bookkeeping and transit . . . you're familiar with its other advantages, too.

But do you know how much greater your savings are when you use a microfilmer that exactly fits your requirements—when you don't have to pay for features or refinements which can't be used profitably in your bank?

Recordak lets you match microfilmer to requirements—and save day after day. It offers 6 different types of microfilmers—instead of just one or two. And they're designed for all banks, all budgets. Thus, even the smallest banks can realize savings—over and above all microfilming costs—which are proportionate to those of the largest ones.

Call in your local Recordak representative soon. He'll analyze your requirements . . . figure costs every way. Then he'll show



The Recordak Triplex Microfilmer features Duo-type recording at high reduction ratio! Also photographs documents up to 14 in. wide on full film width.

on.

ı.

ll

u

e

ze

ING



The Recordak Commercial Microfilmer, low-cost efficient unit photographs fronts, or fronts and backs, across the full film width.



The Recordak Supermatic Microfilmer photographs fronts and backs simultaneously at 40-1 reduction ratio, highest today. Six additional features.

Microfilmers will give you microfilming at <u>lowest</u> cost

you how you can get the Recordak Microfilmer that's best for you on a most attractive purchase or rental basis.

New illustrated booklet gives you complete details on Recordak equipment . . . makes side-by-side comparisons easy. Write for it today. Recordak Corporation (Subsidiary of Eastman Kodak Company), 444 Madison Avenue, New York 22, N.Y.



(Subsidiary of Eastman Kodak Company)

originator of modern microfilming and its application to banking systems



P.S. See the sensational Kodak Verifax Printer, now distributed nationally by Recordak. It will give you 3 copies of a document... in 1 minute... for less than 4¢ each. Ask for a demonstration in your bank, no obligation whatsoever.



Vice-president W. G. Williamson receives the Robert Strickland Agricultural Memorial Award from Chairman M. M. Kimbrel during the annual meeting in Atlanta of the Georgia Bankers Association

News for Country Bankers

This department is edited by MARY B. LEACH of BANKING'S staff.

CCC Interest Rate Lowered

DESPITE warnings by members of the Agricultural Commission of the American Bankers Association that a reduction in the interest rate allowed banks for making Commodity Credit Corporation loans would tend to discourage them from originating and keeping these loans, the CCC last month reduced the banks' share of the loan rate to 1¾%. The over-all rate was set at 2¼%, which includes a service charge of ½ of 1%.

The CCC loan rate paid by the farmers remained unchanged at 3% from 1941 to 1951. The interest allowance made by the CCC to banks during this 10-year period was $1\frac{1}{2}\%$. For the 1952 crop, CCC officials decided to increase the interest allowance to the banks to 2% by increasing the rate to the farmers from 3% to $3\frac{1}{2}$. While A.B.A. representatives had been asking for

this increase of allowance to banks, they did not seek it at the cost of raising the rate to the farmers. Rather, they felt that a division of 2% to the banks of the interest rate of 3% paid by the farmers would have been entirely fair.

In the fall of 1953, when the U. S. Treasury got close to the debt limit, a plan was evolved to offer certificates of interest to banks secured by commodity pools owned by the CCC. The rate on these certificates was $2\frac{1}{2}\%$, later $2\frac{1}{4}\%$, and still later $2\frac{1}{8}\%$. But banks which originated the loans at the farm level got an interest allowance of $2\frac{1}{2}\%$, plus $\frac{1}{2}$ of 1% for service charge, or a total rate of 3% out of the 4% rate paid by the farmers on 1953 crops. This increase has now been rescinded.

Commenting on the recent reduction to 134%, Jesse W. Tapp, executive vice-president of the Bank of America N.T.& S.A., San Francisco, and chairman of the A.B.A. Agricultural Commission, said that "the 1953 rate arrangement had served

as a great impetus to the country banks not only to originate the CCC loans but to hold them, so that it became unnecessary for the Treasury to use its funds in the making of these price support loans."

Seventh Strickland Award

THE seventh Robert Strickland Agricultural Memorial Award for distinguished service to agriculture in Georgia during 1953 was presented by the Trust Company of Georgia, Atlanta, to the Citizens Bank, Vienna, at the recent annual meeting of the Georgia Bankers Association.

The Citizens Bank received a large bronze plaque depicting the dawn of a new era of agricultural progress in Georgia, and a \$2,000 scholarship to any college of agriculture in the University System of Georgia. The bank will in turn select a worthy student from Dooly County to receive the scholarship.

The plaque and scholarship were (CONTINUED ON PAGE 66)

No. 45 IN A SERIES OF FARM COMMUNITY BUILDER STORIES...

...they helped build a LIVESTOCK AND POULTRY INDUSTRY



Bruce Peek, center, works closely with Purinaman J. T. Frazier, left, and Purina Dealer Harry Freels in extending feeder credit.

The livestock and poultry industry in the Commerce, Texas, area has moved steadily upward. Today you'll find a diversified agriculture there—one that can take almost any kind of weather or market situation in stride.

Bruce Peek, vice president of the Security State Bank, has had a big hand in this development. His system of financing livestock and poultry operations has proved itself to be sound and profitable.

Like hundreds of other bankers throughout the country, Mr. Peek looks to his Purina Dealer and Salesman for help in selecting capable and dependable feeders. Working together, they're helping their community and themselves to greater prosperity.

PARTNERS IN PROSPERITY

Many bankers are proud of the prosperity they bring to farming communities by sound financing of feeding operations in dairy, cattle, hogs, broilers, poultry and turkeys. If you are such a man, you will find your Purina Dealer and Salesman glad to work with you on a business-like basis. Your salesman has a portfolio of forms and finance plans that have proved sound and profitable for other bankers. If you'll call your Purina Dealer—the Store with the Checkerboard Sign—he'll be glad to have the salesman call without any feeling of obligation.

RALSTON PURINA COMPANY ST. LOUIS 2, MO.



ntry

t it

king

land

l for

ture

nted

rgia,

nk,

neet-

LSS0-

arge

lawn

ress

ship

The

rthy rewere

KING

News for Country Bankers

(CONTINUED FROM PAGE 64)

presented by M. M. Kimbrel, chairman of the Agricultural Committee of the Georgia Bankers Association. W. G. Williamson, vice-president and cashier of the Citizens Bank, accepted the award on behalf of the bank.

"The Citizens Bank in Vienna has developed a well-rounded agricultural program, sound in every respect," Mr. Kimbrel said.

"Early in 1953 the bank recommended, sponsored and, in connection with the county agent, secured the services of a cotton specialist to work with and advise farmers on the best procedure in proper fertilization and insect control. In addition, special training was provided a group of 4-H boys in methods of checking fields for insect infestation.

"The Citizens Bank encouraged and financed the establishment of a large dairy operation, one of the most modern in the state," Mr. Kimbrel said. "The institution helped to plan and inaugurate a poultry raising program and is working toward increased egg production."

The bank's many other activities include a scholarship to a young farmer for a six-weeks course at the Abraham Baldwin College of Agriculture; donation of \$1,000 to be used by various agricultural agencies, teachers and others; awards totaling \$250 in prize money for the Negro farm program; and many other direct contributions for 4-H Club, FFA and FHA programs.

In other projects the bank worked closely with the Dooly County Agricultural Planning Program, provided a tree planter which was used to plant coastal bermuda as well as pine trees, and supplied leaflets and other printed information to farmers in the county, encouraging soil and water conservation.

In concluding, Mr. Kimbrel pointed to the Vienna bank's leadership in catching the true spirit of Georgia's new agricultural development.

50 Get Bank's Guar Seed

FIFTY customers of the First National Bank of Quitaque, Texas, received free of charge enough Guar

seed, a new soil building crop, to plant five acres during the spring.

After investigating the experience of farmers who had planted Guar, the bank bought a supply of inoculated seed, and offered it on a "first come, first served" basis.

When offering this soil builder to customers, First National said:

"A closer look at Guar shows it to have many natural advantages. It is not an expensive crop to produce, as only standard equipment is used. and no hand labor is required. Guar greatly increases the water intake and water holding capacity of your land, and is a tremendous soil builder -thus assuring you of increased yields on following crops. It is planted about 'cotton planting time,' and there is a good market for the seed. Probably the outstanding feature of Guar-and particularly in this locality—is its ability to withstand the drouth and thrive in hot weather. Any way you look at it, we feel you cannot go far wrong by devoting a few acres to Guar this coming season."

Michigan's Credit Clinic

pa

Fi

to

ing

"P

er

Cr

Fi

Fa

ua

fal

"T

Im

de

NE

EEL

Ag

an

go

th

Cl

R.

m

of

4-

(1

(2

(

T

A.

(

W HILE education was the primary purpose of the 20th annual Agricultural Credit Clinic of the Michigan Bankers Association at the Michigan State College in East Lansing, the Michigan bankers didn't neglect the opportunity afforded by the clinic to get to know their fellow bankers and the MSC faculty members better.

A coffee hour followed registration and a second social hour followed an evening banquet. J. L. Mc-Caffrey, president of the International Harvester Company, Chicago, spoke at the banquet on "Farm Machinery-Today and Tomorrow." A full day's program of panel discussions, arranged by groups, was preceded by a "Bankers' Breakfast," which was followed by a general assembly. While the men listened to discussions, their wives had a coffee hour of their own, during which an interior designer spoke on "New Horizons in Interior Designing."

The general theme covered in the

Cost of Egg Production

A FORMULA for estimating the cost of commercial egg production developed by the Cornell University Agricultural Experiment Station was discussed in a recent article in Farm Research* by Kendall S. Carpenter.

"Without question," said Mr. Carpenter, "accurate records are the only really satisfactory measure of production costs. Because of wide variation between flocks, one could be as far off base in attaching

undue weight to a formula such as this as he would be in rejecting it altogether. Regard it, then, as what it purports to be: a rough yardstick useful principally when more precise measurements are not available."

Here is the formula discussed by Mr. Carpenter and later reduced to tabular form in the New England Farm Finance News.

(1) Average Annual Cost:

Feed:	7.2 pounds	\times \$0.0	45 (price per	pound)	=	\$0.32
Labor	.11 hours	× 0.8	2 (value per	hours)	=	0.09
Depreciation:	3.5% (.035)	× 1.4	3 (farm valu	e per bird,		
			live we		=	0.05
Other Costs:	13% of tota	al of fe	ed, labor, and	depreciation costs	=	0.06
					_	
1953 ann	ual average c	ost of	producing one	dozen eggs	=	\$0.52

(2) Average Monthly Cost:

To estimate the cost of egg production in any one month, substitute in the formula above the pounds of feed and hours of labor for the desired month as listed in the table below.

Item	Jan.	. Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Feed (lbs.)	7.3	7.3	7.2	6.8	6.4	6.1	6.5	6.9	8.0	8.6	8.6	7.7
Labor (hrs.)	0.10	0.10	0.11	0.11	0.11	0.11	0.11	0.11	0.12	0.12	0.12	0.10

OPUBLISHED BY THE NEW YORK STATE AGRICULTURAL EXPERIMENT STATEM AGRICULTURAL EXPERIMENT STATEM.

panel discussions was "Problems in Financing Michigan Farmers." Subtopics included "Problems in Financing Fruit and Vegetable Farmers"; "Problems in Financing Dairy Farmers"; "Problems in Financing Cash Crop Farmers"; and "Problems in Financing Livestock and General Farmers."

5-

le

SÉ.

't

y

y

0,

a-

S-

. 21

sto

ee

an

W

he

as

it

ick

ise

e."

by

to

ind

griand eri-

2

5

6

2

Ø

C.

0

ING

Other subjects covered by individual speakers included: "Streamlining the Cow"; "Avoiding Legal Pitfalls in Agricultural Lending"; and "The Agricultural Outlook and Its Impact on Financing."

Ronald G. Dillingham, vice-president and agriculturist of the First National Bank and Trust Co., Kalamazoo, is chairman of the MBA's Agricultural Committee.

Oregon's Youth Budget

A TENTATIVE budget of \$6,555 has been set up by the Agriculture and Forestry Committee of the Oregon Bankers Association to defray the cost of the committee's 1954 4-H Club and Future Farmers of America activities, according to Chairman R. E. Coe, Jr. Mr. Coe is assistant manager of the Tillamook Branch of The Commercial Bank of Oregon.

These items are included in the 4-H Club budget:

(1) State Style Revenue—
Oregon State Fair\$ 675
(2) 26 summer school schol-
arships at \$20 plus \$260
for traveling expenses 780
(3) Two participations in the
International Farm Youth
Exchange 1,800
(4) Bankers' Day 4-H Sum-
mer School Entertain-
ment 600
(5) Miscellaneous 200
Total\$4.055

The FFA budget includes these appropriations:

(1)	Chapter Farm Mechanics
(-)	Award, Oregon State
	Fair, including plaque for
	winning chapter\$ 475
(2)	Travel pay for FFA state
	officers travel 1,400
121	76 Ctata Farman sharms

(3)	76 State Farmer charms,	
	including Federal tax,	
	postage, and insurance	425
(4)	Land Judging Contest	200

Total						۰							\$2,500
Total				۰		۰	٠	۰	۰		۰	۰	\$2,000

Estimate of Banks With Farm Representatives

(Number by States)

(It is difficult to determine the number of bank agricultural representatives as many banks have more than one man. In addition banks having branch offices often have many men, but in this tabulation the bank is counted as one.)

State	Number	State	Number	State	Number
Alabama	16	Maryland	2	Oregon	6
Arizona	3	Massachusetts	2	Pennsylvania	6
Arkansas	12	Michigan	4	Rhode Island	1
California	4	Minnesota	18	South Carolina	. 1
Colorado	10	Mississippi	11	South Dakota	10
Connecticut	1	Missouri	14	Tennessee	15
Delaware		Montana	11	Texas	38
Florida	2	Nebraska	10	Utah	2
Georgia	13	Nevada		Vermont	9
Idaho	1	New Hampshir	e 3	Virginia	10
Illinois	34	New Jersey		Washington	
Indiana	20	New Mexico	1	West Virginia	1
Iowa	36	New York	34	Wisconsin	3
Kansas	8	North Carolina	11	Wyoming	3
Kentucky	15	North Dakota	4		
Louisiana	6	Ohio	13	Total	444
Maine	4	Oklahoma	16		

(Number by Deposit Size)

Deposits	Number	Deposits	Number
Trust companies	1	\$10,000,000 to \$25,000,000	105
\$250,000 or less	1	\$25,000,000 to \$50,000,000	47
\$250,000 to \$500,000	2	\$50,000,000 to \$100,000,000	17
\$500,000 to \$1,000,000	8	More than \$100,000,000	35
\$1,000,000 to \$2,000,000	11	, , ,	
\$2,000,000 to \$5,000,000	94	Total	444
\$5,000,000 to \$10,000,000	123	Source: A.B.A. Agricultural Co.	ommission.

Program for Correspondents

THE Second National Bank of Houston, Texas, is one of several large city banks with agricultural departments headed by trained men. Vice-president O. "Dooley" Dawson is the manager of Second National's agricultural department.

"Our main objective in our department," said Mr. Dawson in a recent letter to Banking, "is to get the country bankers in Texas to take the lead in their communities in the development of their agricultural resources. Naturally, we work very closely with our correspondents. This is done in the following manner:

"(1) Assist the banker in outlining a program where he takes the lead, where his local agricultural workers' efforts are all combined in putting on a local program. For instance, planting legumes, dairying, poultry, and insect control on field crops.

"We find that we can be of great assistance to the banker in this way and his bank is a clearing house for programs of this type. Usually, the different agricultural agencies have their own development program, but through a set-up of this kind, all of them are telling the same story, with the businessmen taking the lead.

"(2) Where we have participating loans with correspondent banks, I am usually involved to the extent of helping make appraisals on collateral offered, especially on livestock.

"(3) My services are available to the bankers in holding farmer-rancher meetings where I speak to the group; these meetings are usually sponsored by the banks and agricultural agents, principally the Extension Service. Sometimes, I remain in the county for a week at a time holding meetings with farmers in the communities in which they live

"(4) I am also available to talk to Civic Clubs at the bankers' request; and also other organizations.

"(5) We also prepare timely information pertaining to certain subjects in the field of agriculture and send to our correspondent bankers.

"You can see from this type of program our main efforts are spent in working with local bankers, and I think it will accomplish much more because we are putting them in the lead and they are available to give services which we cannot give."

The Farm-Mortgage Debt

NORMAN J. WALL

The author is head of the Agricultural Finance Section of the Production Economics Research Branch, Agricultural Research Service, United States Department of Agriculture.

ARM-MORTGAGE debt increased 7% in 1953 to a total of \$7.7-billion. This is the eighth consecutive year in which this type of indebtedness has increased. The 1953 total represents an increase of about two-thirds from the low point at the beginning of 1946.

The increase in farm-mortgage indebtedness since 1946 has varied widely by regions. The sharpest increase, about 125%, occurred in the Western States; in the South the increase was nearly 90%; but only about one-third in the North.

Competition among the principal lenders appears to be keen in most areas, especially with respect to the more desirable risks, but these lenders are showing more caution in connection with loan applications that list low equities. In general, farmers were somewhat more reluctant to increase financial obligations in 1953 than in other recent years. These attitudes may help to slow the rate of increase in farmmortgage debt in 1954. Offsetting this, however, will be a further shifting of non-real-estate debt to real estate loans and a probable decline in the rate of payments on principal. In general, no significant volume of delinquencies on scheduled principal payments is expected in areas where adverse growing conditions are being encountered.

1953 Holdings Increased

All the principal institutional lenders increased their farm-mortgage holdings during 1953. Life insurance company loans, up 11%, showed the largest percentage increase. Federal land banks increased their farm-mortgage holdings by 9%, but the increase for all operating commercial and savings banks was only about 2%.

Percentage of All Farms Mortgaged

Year	North	South	West	U.S.
1930	46.9	33.1	50.4	40.1
1940	43.7	33.4	45.7	38.8
1945	35.7	22.9	33.9	29.3
1950	32.0	22.1	36.4	27.5

Although the annual rate of principal repayments on mortgage debt is down appreciably from the levels prevailing at the close of World War II, judged by prewar standards, it is still high. Life insurance companies, as an example, reported payoffs on outstanding loans during 1953 at the rate of about 10% or 11%. This was only slightly lower than a year earlier.

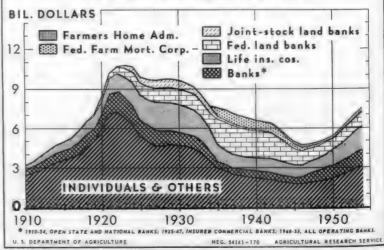
Despite the rapid increase in farm-mortgage debt in the last eight years, the proportion of all farms mortgaged in 1950, as reported by the Bureau of the Census, was only 27.5%. This percentage has probably changed little in the last four years. Although large numbers of farms have been encumbered with new mortgage debt in the last four

years, it is likely that almost equal numbers have retired their real estate liens. Compared with earlier periods, the decline in the percentage of mortgaged farms has been significant, as is revealed by the figures in the adjoining column.

Since the close of World War II. non - real - estate indebtedness of farmers, excluding Commodity Credit Corporation loans, increased about two and one-half times and for three years it exceeded the amount of farm-mortgage debt. In 1953, this abnormal situation was reversed. Non-real-estate indebtedness, largely as a result of the sharp drop in livestock prices, decreased 9%, the sharpest drop in any year since the depression of the early Thirties. Currently, therefore, the level of non-real-estate indebtedness has retreated from the spotlight and is overshadowed by higher farmmortgage indebtedness.

Farm real estate had a total market value estimated at \$87,580,000,000 as of March 1, 1954. This is a decline of \$5.1-billion, or 5.5% from a year earlier, and 6.5% from the record peak of March 1952. The

FARM MORTGAGE DEBT HELD BY MAJOR LENDERS



HOW MANY DAIRYMEN OWE YOU MONEY?

Should they get out or stay in the dairy business? The beef men faced a similar problem not long ago. Those who stayed in and followed good breeding, good management, and good feeding practices made money and promptly paid their loans. You can help the dairyman do the same thing.

The dairyman can't control the price he gets for his product; but he can help do a lot about the cost of producing it. Good breeding, good management, and good feeding practices will go a long way towards reducing his cost of production and keeping him profitably in the dairy business.

there are 3 things dairymen can do to cut cost and boost dairy profits

1. CULL THE POOR PRODUCERS

S-

er

it-

g-II,

of ty ed

nd he In

ed-

urp

sed

ear

the

ess

m

ar-

00,-

s a

om

the

The

Much of the blame for today's dairy troubles can be put on the shoulders of the poor producing cow. She puts 5,000 lbs. of milk on the market a year. This milk has already lost the farmer money. This 5,000 lbs. of non-profitable milk (multiplied by the thousands of 5,000 lbs. producers) floods the market and a surplus is created. Prices are forced down

and the dairy farmer is in trouble. Yet through all this, the border cow eats every day, reproduces another poor milker while the farmer continues to milk away his profits.

It's true that culling the herd and improving the breed won't solve the dairyman's problems overnight but, it is a step that should be taken.

2. BOOST PRODUCTION OF HIS GOOD COWS

A cow today must produce 7,000 lbs. of 3.5% milk (245 lbs. fat) to pay for its keep. Here is a Chart that Illustrates the Point:

Milk Production Per Cow Per Year	Milk Per Cow Per Day for 300 Days	Feed Cost Per 100 Lbs. of Milk	Milk Profit Over Feed Cost if Milk Sells For \$3.00 per cwt.
5000 Lbs.	17 Lbs.	\$2.70	\$ 15.00
7000 Lbs.	23 Lbs.	2.17	58.00
9000 Lbs.	30 Lbs.	1.83	105.00
11000 Lbs.	36 Lbs.	1.60	154.00
13000 Lbs.	43 Lbs.	1.45	201.50

You can see from the chart that a cow giving 5,000 lbs. of milk a year or a 17 lbs. average per day for ten months is not profitable. Every cent the farmer spends on feed for that kind of production is lost. \$15.00 profit over feed cost for the year won't pay for the investment, labor, housing, etc. Even the 7,000 lb. cow is not too profitable. (See chart) Overhead, plus a vet bill or two, and the \$58.00 is used up.

Good cows, fed properly, will produce 10,000 to 12,000 lbs. or more milk a year. And as you can see from the chart above, that's when the farmer gets his greatest profit over feed costs.

3. HE CAN CUT FEED COSTS BY:

- Buying only what is necessary to balance up the ration for high production.
- b. Cutting down on grain feeding and

getting more milk out of roughage. By feeding Murphy's CUT-COST CON-CENTRATE FOR DAIRY CATTLE plus his own roughage with some grain and CUT-COST CONCENTRATE the dairyman in Wisconsin, Michigan and Minnesota is saving money. We believe it will save money for dairymen everywhere.

HERE IS MURPHY'S SPECIAL HIGH ROUGHAGE LOW COST DAIRY FEEDING PROGRAM:

1. NO MIXING REQUIRED—
Feed each cow a cupful (10 ounces)
two times each day of MURPHY'S CUTCOST CONCENTRATE FOR DAIRY CATTLE. In addition, provide good pasture, MURPHY'S MINERALS, plain salt,
clean water. Feed 2 to 5 pounds grain in
per cow per day, if available. When
pasture is short or begins to burn up,
feed hay or silage in addition.

2. IF YOU PREFER A MIXED RATION—

Feed each cow daily: 5 to 8 pounds of the following 13% dairy ration made with 1700 lbs. ground grain (mixture of corn, oats or barley). 300 lbs. Murphy's Cut-Cost Con-

300 lbs. Murphy's Cut-Cost Con-CENTRATE FOR DAIRY CATTLE.

Also, self-feed MURPHY'S MINERALS, plain salt and clean water. Feed hay or silage when pasture is short.

THE MURPHY FEEDING PROGRAM will cut feed costs and improve herd health... fortify and energize farm feeds with the essential proteins, minerals, and vitamins needed for good production, long lactation, longer life, and better calves. Switch to Murphy's and lower your feed cost.

MURPHY PRODUCTS CO.

BURLINGTON, WISCONSIN

675-B

CING

June 1954

value of buildings is estimated at \$23,036,000,000 as of March 1, 1954, or 26.3% of all farm real estate. This represents an average of about \$4,300 per farm and \$19.88 per acre of land in farms.

Farm real estate values drifted moderately lower during the four months ended March 1, 1954. The national index of average value per acre for March was 197 in terms of the 1912-14 average. No significant change occurred in most of the North Central States, but declines of 2% to 4% elsewhere reduced the average for the country as a whole 2% below last November, and 6% below a year earlier. Some strengthening in prices of farm commodities since last fall helped to slow the rate of decline in land values that was under way from July to November 1953. The sharp increases in hog prices and the more favorable returns from cattle feeding tended to sustain land values in many Corn Belt states.

Land Values Influence Debt

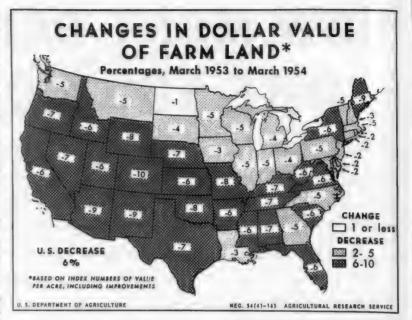
Changes in farm-mortgage indebtedness are appreciably influenced by changes in land values. When there is an active demand for farms at advancing prices, increased mortgage loans are made to assist in the financing of such transfers. The influence on the outstanding mortgage debt by farm real estate activity results from the changes in the number of farms sold and the changes in the amount loaned per farm when the sale is financed, partly, by credit. Since 1946 the trend in real estate activity and that in the average size of loan have diverged as indicated by the following data:

Farm Real Estate Activity and Average Size of Farm Mortgage Recorded

Year	Sales per 1,000 Farms' Number	
1946	75.8	3,970
1947	65.9	4,130
1948	56.9	4,290
1949	52.3	4,280
1950	54.0	4,700
1951	52.4	5,350
1952	47.6	5,630
1953	44.0	5,910

1 Year beginning March 16.

The average size of farm-mortgage loans made by commercial banks is smaller than the average



of those made by other institutional lenders. In 1953, the average size of mortgages recorded by these banks was \$4,500, compared with an average size of \$13,520 for insurance companies and \$6,110 for Federal land banks.

Farms bought during the year ended March 1954 were more frequently credit-financed than during any other year since 1946. A survey of farm real estate lenders estimated that only 29% of the farms transferred were bought for cash, whereas 52% were financed by real estate mortgages, and 19% by purchase contracts. Thus, some form of credit was used to finance 71% of the farms bought during 1953-54, compared with 67.5% a year earlier, and 44% during 1945-46 and 1946-47. Many prospective buyers lack sufficient cash to meet downpayment requirements of institutional lenders. These lenders have generally become more selective in making loans during the last year.

Element of Strength

An element of strength in the present agricultural credit situation is the low percentage of farms mortgaged and the low ratio of mortgage debt to total farm value. As indicated earlier, only 28% of the nation's farms were mortgaged in 1950. The mortgage debt on these farms represented slightly less than 9% of the total value of all farms. In 1933 the ratio of mortgage debt-to-value was about 28%. In areas faced

by declining farm income, such as the regions affected by drought, the relatively large equity of most farms provides the basis for refinancing burdensome non-real-estate debts into real estate mortgages. Many bankers likewise are assisting this readjustment by lengthening the period of repayment on outstanding operating loans.

Of the total farm-mortgage debt outstanding at the beginning of 1954, all operating banks held about 15%. The largest percentage held by institutional lenders was 25% for life insurance companies. The Federal land banks and the Land Bank Commissioner held 15% of the total, and the Farmers Home Administration 3%. The rest, 42%, represented the holdings of miscellaneous lenders, mainly individuals.

Farm-mortgage loans have long been a favored investment for large numbers of banks. Moreover, the security afforded by farm mortgages has helped banks to meet the growing demands of farmers for intermediate-term loans. Many of the farm-mortgage loans of banks are made for terms of one to five years—terms often required for the mechanization of farms, for soil conservation, and for other farm readjustments.

In the main, farm-mortgage loans made by banks are for commercial purposes and are for a shorter term than the average mortgage loan made by Federal land banks and life insurance companies.



Architect: Robert Edward Hucker, Amarillo, Texas.

How to expedite bank traffic . . . please customers . . . attract new accounts

NE proven way is to install the Pittcomatic Hinge—"the nation's finest automatic door opener!" Bankers from coast to coast have done this and they have reported not only more efficient operations, but also a substantial increase in business.

This is easy to understand. For the Pittcomatic makes it possible to open Herculite Doors by a light touch on the handle. Bank traffic thus flows more quickly and easily. Besides, the Herculite Doors make any bank entrance

look more modern and inviting; people like to do business where the atmosphere is cheerful and bright. This means that your present depositors are better satisfied, and new customers are attracted.

There is a magic quality about the Pittcomatic door opener. Operating on a simple hydraulic principle, there are no critical adjustments. Once the controls are set, no attention is necessary. The Pittcomatic is a double-acting power hinge, without visible operating

mechanism. It's entirely self-contained and operates on 110-volt current. What's more, its one-third horsepower motor is as inexpensive to run as a home refrigerator.

Why not ask for complete information? Simply fill in and return the coupon.

P	TT	TC	OM	TAT	TC
	11	IV	OTA1		T

. . . the nation's finest automatic door opener



he ms ing bts his ne-

ing

eht of out

for edank

tal,

ra-

ted

nd-

ong

rge

se-

ges

ow-

ter-

the

are

'S--

ech-

rm

ans

erm

life

ING

PAINTS . GLASS . CHEMICALS . BRUSHES . PLASTICS . FIBER GLASS

ITTSBURGH PLATE GLASS COMPAN'

IN CANADA: CANADIAN PITTSBURGH INDUSTRIES LIMITED

Bank Salaries and Fringe Benefits

A survey of bank salaries and fringe benefits was made for the Extension Committee of the Financial Advertisers Association by John J. Ahearn, assistant secretary of the American Security and Trust Company of Washington, D. C. He sent a questionnaire to 150 banks, large and small, throughout the country. Ninety-seven completed it. Here are excerpts from Mr. Ahearn's report.

In answer to the question "How does your salary scale compare with other businesses in your area?" 75 answered average, 16 above average and only 6 answered below average. This is a good indication that banks with their present salary structures do not have to take a back seat to other businesses in their area in the competition for competent help.

More than 90 banks reported that they have salary review programs; paid vacations; sick leave; group insurance; hospitalization and surgical plans.

Only 74 banks answered the question, "Do you honestly and consistently sell fringe benefits to employees, both old and new?" Of this number 52 answered yes; 22 no.

The average cost of fringe benefits per year per employee of 69 banks reporting was \$650—the high was over \$2,000—the low less than \$75.

Seventy-two banks answered the question "What percent of total annual payroll is fringe benefits?" The percentages reported ranged from a low of 2% to a high of 48.3%. The average was 18.77%.

These figures for average dollar value per year per employee and the average percent of total payroll differ somewhat from the 1951 figures reported by The United States Chamber of Commerce. The 91 banks that participated in the Chamber survey were from the 300 largest banks according to deposits, whereas this sampling survey included several banks that had less than a total of 50 officers and employees and were way down the list of banks according to deposits. This large spread in the size of banks reporting, no doubt, would have a direct bearing on the lower average percentage and dollar payment per employee per year.

One of bank management's responsibilities is to maintain a competent and adequate staff. This can be done by paying good salaries and liberal fringe benefits. Today, the majority of banks pay salaries and benefits that are average or above average for their area.

It must be agreed that fringe benefits are here to stay—that they go hand in hand with salary in recruiting and retaining competent personnel. At present banks and trust companies are generally average or above average in salaries and at the top or near the top in fringe benefits.

But while we do have good salaries and good employee benefits let us, as good public relations men tell everybody, the public, the colleges, the universities and the schools that banks are a good place to work. And let us not forget to tell our own employees that the money in the pay envelope or pay check is only part of their income—there is also quite a bit in employee benefits.

Better Bank Advertising

The following paragraphs are from a talk made by Robert C. Downie, president, Peoples First National Bank & Trust Company, Pittsburgh, before the Pittsburgh Advertising Ciub. Mr. Downie is a former president of the Pennsylvania Bankers Association.

In days past, banks generally did not play a conspicuous role as effective advertisers. But, in fairness, we must remember that, before the turn of the century, banks served primarily as depositories for the money and valuables of the wellto-do. It has only been in relatively recent years, as our wealth has been more or less redistributed, that banks, like many other businesses, have found it good business to expand their services and to solicit the business of the public generally. Also, in the past, bank facilities were not designed for sales appeal.

Progressive banks, for several years now, have been trying to overcome those earlier impressions through a change in their physical facilities, and by creating a warm, inviting atmosphere in which to do business. A reliable authority estimates that the banks of the United States will spend more than \$600,-000,000 this year in new bank construction and modernization of existing facilities. Likewise, progressive banks now use all accepted types of mass advertising media to invite new business and, through effective point-of-sale displays, make every effort to sell the prospective customer every applicable service.

This year, banks will spend \$68,-

000,000 in advertising, an increase of \$7,000,000 over that spent in 1953. and three times as much as was spent in 1946. Of this total, the range of individual bank advertising expenditures varies widely, with the smallest bank spending up to \$2,500 a year and the largest banks spending from \$100,000 to \$1,000,000. And the heartening thing is that more and more banks are getting away from the old accepted "listings" and stereotyped statement ads, with nothing but cold, uninteresting figures, and now are featuring interesting, friendly copy with a definite sales appeal.

Competition's Role

When we analyze the expenditure by banks for advertising, we must remember that some 13,000 of our banks are country banks and only 2,054 have deposits of \$10,000,000 or more. Naturally, the banks in the larger communities where the business is highly competitive, as contrasted with the small-town monopoly where there is only one bank, have shown the greatest progress in advertising and selling.

Among the banks, as in all types of business, we find some doing an outstanding sales job, and others, not so conscious of the changing trend, still operating under the old concept of banking and doing a poor selling job. But each year we find more banks giving recognition to the need for better merchandising. One encouraging sign has been the general improvement in bank annual reports and the development of effective stockholder relations.



What does it take to build a city of 50,000 every week?

Census figures show that our population is increasing at the rate of 50,000 each week. Think what this means to American industry. Every seven days it must furnish enough new goods, services, and construction to build and supply a city the size of Tucson, Arizona, or Battle Creek, Michigan.

Yes, the demand is great. The first step in meeting this demand is taken by earth-moving and material handling equipment. Lumber must be logged, coal and ore mined . . . sand, gravel, and clay must be quarried to provide raw materials. Then there is land to clear before houses, schools, roads, streets, hospitals,

ld

or all to

nof and shopping centers are built. In addition, new sewer, water, gas, and electricity systems must be installed.

This means busy days ahead for owners of Allis-Chalmers crawler tractors, Motor Scrapers, and motor graders . . . with profitable operations that make this machinery a sound investment.

Your Allis-Chalmers dealer is ready to show you this equipment at work, and explain the vital part these machines play in the efficiency and economy of construction operations. He will be glad to arrange an "on-the-job" visit at your convenience.



Uniform Commercial Code (VII)

Article 9 of Code follows principle of American Bankers Association's Accounts Receivable Statute requiring filing of public notice of assignments of accounts . . . Conflict over secrecy

THOMAS B. PATON

The author is assistant general counsel of the American Bankers Association and secretary of its Committee on State Legislation and Subcommittee on the Commercial Code.

This article, recites the legislative struggle against secret assignments of accounts receivable and the events leading up to and beyond the drafting in December 1942 of the American Bankers Association Public Notice (Filing) Statute, which was vigorously opposed in the ensuing years by the finance companies.

Finance companies were quick to prepare and urge for prompt legislative enactment their own statute, known as the "Validation" (Secret Lien) Act.

This act—a very short and simple one—gives validity to a secret assignment by requiring merely that it be in writing. It follows the "New York rule" which protects the first assignee against double assignment and makes a subsequent assignee accountable to the first assignee as trustee for the proceeds of any monies collected from the account debtor.

Validation Statute

With the entry of this "validation" statute in the field, the legislative campaign waged by banks and finance companies took on the character of a race to see which form of statute would prevail. It was understood that both types of statute, although diametrically opposite in principle, had the common objective of perfecting a lien on accounts receivable that would stand up under the Bankruptcy Act and would meet the emergency as long as the defect in the Chandler Act was not corrected.

The A.B.A. lost no time in offering its model draft for the consideration

Two Books About Code

SECURED TRANSACTIONS UNDER THE UNIFORM COMMERCIAL CODE. By Harold F. Birnbaum. Committee on Continuing Legal Education of the American Law Institute in collaboration with the American Bar Association, 133 South 36th Street, Philadelphia 4, Pennsylvania. 373 pp. \$5 (2 vols.)

Article IX of the code effects a complete revision and codification of the law relating to secured transactions involving personal property. The author specialized in this field for 15 years and was one of the advisers in drafting this article.

Each chapter of these books is divided into approximately 40 parallel sections, dealing with every phase of the impact of the code on this particular type of collateral. This is the first of a series of six publications to be produced by the committee on various articles of the code.

PENNSYLVANIA BANKS AND THE UNIFORM COMMERCIAL CODE. Carl W. Funk, counsel for the Philadelphia Clearing House Association, in collaboration with counsel for the Pittsburgh Clearing House Association and the Pennsylvania Bankers Association. Pennsylvania Bankers Association, Box 152, Harrisburg, Pennsylvania, 210 pp. \$5.

dov

jud

jud

601

This publication interprets the legalistic language of the code to give a clear picture of its impact upon banks, explaining to what extent the code necessitates changes in bank operations and procedures and what banks should do to take full advantage of the more flexible commercial practices which the code makes possible.

It also covers provisions applicable to all situations where money is borrowed or advanced on the security of personal property.

of state bankers associations. On matters of state legislation these associations can disregard recommendations of the A.B.A.

An educational drive, led by Richard S. Douglas as chairman of the A.B.A. Committee on Accounts Receivable, (counsel, The Cleveland Trust Co.), gave wide publicity to the A.B.A. draft and its objectives. It received serious study by bankers and BANKING carried two valuable articles on the subject. At a meeting of the Administrative Committee of the A.B.A. in September 1944, Mr. Douglas pointed out the fundamental difference in principle between the two types of statute, stating that "One of the most glaring defects of the secret lien statute is

that no opportunity is afforded for an assignee to determine whether he is in fact first assignee or not."

Secret Lien Opposition

When the A.B.A. at its 1944 convention reiterated its position in opposition to secret liens, more impetus was given to the movement of enacting uniform filing legislation in accordance with its long-established policy.

It took seven years after the defect was realized to secure a corrective amendment to the Chandler Act. When Congress finally amended this act on March 18, 1950 agitation for remedial state legislation slowed

Technically, the amendment elim-

inated the harsh hypothetical bona fide purchaser test aimed at striking down secret liens and substituted the hypothetical judgment creditor test which limited the trustee in bankruptcy to the position of a judgment creditor subordinate to an existing assignment. This change gives a prior assignee a perfected assignment in bankruptcy if his rights are superior to those of a judgment creditor.

Although the 1950 amendment was long delayed, it was welcomed by those in nonfiling states who could not conduct non-notification financing with legal certainty. Nothing could be plainer, however, than that the Chandler Act as amended reversed its policy and "validated" secret lien statutes. Again, Congress in consistently reaching out to strike down secret transfers has found its "efforts faulty or insufficient to that end." It has, therefore, become more apparent that if secrecy is to be eliminated the job is for the states.

34 Enactments in 12 Years

State legislation records a seesaw race with the public filing statute coming up from behind and edging ahead. With a total of 34 enactments over a period of 12 years, the score shows that 17 states and Alaska favor filing; 15 states favor secret liens; while one state adopted a book-marking statute, which is generally recognized as unsatisfactory for nonnotification financing. It was discarded in Georgia and Pennsylvania.

The passage of the Uniform Commercial Code in Pennsylvania, effective July 1, 1954, which made that state the seventeenth to adopt the filing principle, is of particular significance.

Recognition of this principle in Article 9 of the code by its sponsors, the American Law Institute and the Commissioners on Uniform State Laws, is an important advance in the historic struggle to destroy secret liens on a nationwide scale at the state level.

It is reassuring to learn that since the adoption of the Uniform Commercial Code effective opposition to secret liens by the finance companies has subsided.

A.B.A. Takes No Position

As stated repeatedly, the A.B.A. has taken no official position on the Uniform Commercial Code. At the

Comparison of Major Points of A.B.A. Draft of Accounts Receivable Statute With Article 9 of Uniform Code

A.B.A. Draft

(1) Filing of notice generally for open accounts receivable:

Exclusions: (a) deposits, (b) special Federal or state statutory provisions, government contracts, etc., (c) insurance policy.

Article 9

More exclusions: (a) assignment of accounts with sale of business, (b) assignment of contract rights to person to perform, (c) assignment for collection only, (d) assignment of insignificant part, (e) reassignment by person in business of taking assignments, (f) assignment of perfected security interest.

A.B.A. Draft

(2) Place of filing: Location of assignor's main executive office determines.

Article 9

Place of keeping of books of account determines.

A.B.A. Draft

(3) Priority: First to file, not first to advance.

Article 9

Same as A.B.A.

A.B.A. Draft

(4) No prohibition against contract prohibiting assignment.

Article 9

Prohibition against assignment void; Caristo case, 303 N.Y. 446, overruled.

A.B.A. Draft

(5) No distinction between accounts and contract rights.

Article 9

Such distinction made; accounts are limited to payment for goods sold or leased or for services rendered.

A.B.A. Draft

(6) Wage assignments excluded if there is a specific statute as to them.

Article 9

Contract rights include right to payment on contract not yet earned by performance. Wage assignments excluded.

A.B.A. Draft

(7) Period: One year generally.

Article 9

Five years generally.

recent spring meeting of the A.B.A. Executive Council . . . the Subcommittee on the Uniform Commercial Code reported that its adoption would be premature. Irrespective of one's attitude, favorable or otherwise, towards the code, as a whole or any particular article, it must be admitted that the extension of the filing principle to accounts receivable reflects credit on its sponsors in their efforts to strike down secret liens and gives support to the long-established policy of the A.B.A.

Article 9 contains provisions for filing for all types of secured transactions, including accounts receivable. This article will not discuss in detail the provisions of Article 9 with respect to accounts receivable, except as shown by the comparison above.

States with dates of enactment of accounts receivable legislation appearing at the end of this article

give some indication of the progress made and the work that lies ahead for the A.B.A. Committee on State Legislation in seeking uniformity on this subject. An expert on financing reports that "accounts receivable financing today is one of the most widely used forms of commercial financing. The volume in 1953 of this type of financing was well over \$6-billion."

While the success of this form of financing depends primarily upon operation techniques, passage of unform filing legislation to protect the best interests of the secured lender and the general credit is a vital factor that cannot be ignored. The need for uniform filing legislation to replace present conflicting statutory law and decisions in the several states becomes more apparent as bank lending crosses state lines and accounts receivable financing is becoming more and more interstate in character. (PLEASE TURN PAGE)

or

er

n-

D-

m-

nt

on

b

le-

ct.

nis

or

red

m-

NG



A Lamson Airtube System provides an actual physical extension of your banking facilities to any island booth in a parking area, or to any curb-side teller's cage.

In general practice Airtube lines connect cages with central banking areas. Material such as loan payments, savings books, or checks for signature verification is placed in the Airtube carrier and whisked to the proper department at 30 feet per second. Airtube service between cages and departments enables customers in cars to obtain every normal banking service with maximum convenience.

LAMSON CORPORATION

1806 Lamson Street, Syracuse 1, N. Y.

Plants in Syracuse and San Francisco Offices in principal cities



Clip this coupon to your signed letterhead to receive your copies of the 52-page two color, illustrated brochure, "Airtube on Target," and the new bulletin, "The Airtube Automatic Switch System."

348

Validation (Secret Lien) Statute

Year of Enactment

1943 Illinois

Maryland Rhode Island

1944 Virginia

1945 Arkansas

Indiana

Maine

Massachusetts

Michigan Minnesota

New Hampshire

(

Onogon

Oregon South Dakota

Wisconsin

1949 Connecticut

Total 15 states

North Dakota enacted a bookmarking statute in 1949.

Public Notice (Filing) Statute

Year of Enactment

1941 Ohio

1942 South Carolina

1943 Missouri

1945 California

Idaho

North Carolina

Texas

Utah

1947 Colorado

Florida

Oklahoma

Washington

1949 Alabama

Kansas

Nebraska

1951 Alaska

1952 Georgia

1953 Pennsylvania

(eff. 7/1/54)

Total 17 states and Alaska

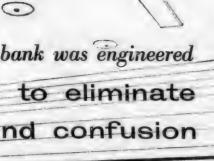
A detailed comparison of the A.B.A. Accounts Receivable Draft with the pertinent provisions in the Uniform Commercial Code, prepared by DeWitte Wyckoff, Assistant counsel, A.B.A., is available on request.

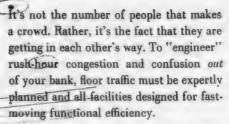
He was the kind of thoughtful person who never forgot himself.

Indigestion happens when there has been too much of a good thing.

One way to find out what she really thinks of you is to marry her.

this busy bank was engineered crowds and confusion





That's why it's important, when you build or remodel your bank, to have a designer who understands the needs of your business. For more than forty years, Bank Building Corporation has specialized in financial architecture . . . planning banks X that are outstanding for their efficiency as well as their beauty. Whether your project is large or small, you pay no premium for this valuable experience. For more information, write or phone our nearest office.

Photo shows modern banking lobby of The Capital Bank, Cleveland, Ohio . . . designed and executed by Bank Building Corporation.



June 1954

ite

the raft

ared tant re-

tful

here

ing.

ally

ING

Stopping Not-Yet-Started

Embezzlement

MR. ELMORE, Bank Commissioner of Connecticut, speaking at a recent Savings Bank Management Conference under the auspices of the Savings Banks Association of Connecticut, included some pointers on how banks in general may prevent and detect embezzlements. This being a troublesome problem that banks everywhere have to deal with and one that is receiving a great deal of attention, BANKING publishes excerpts from Commissioner Elmore's remarks.

MBEZZLING cuts across all ranks and levels and often involves a most trusted officer or employee. The bank embezzler is, in fact, not of the criminal type in the accepted sense, but rather an individual with a basic character weakness.

It is the responsibility of bank management to guard against and minimize the results of these character weaknesses, which are all too prevalent, by (1) more adequate employee screening, and (2) by making it extremely difficult to embezzle through adequate audit and control provisions and through verification of accounts. Putting it another way, there is the need to bolster human conduct by setting up safeguards and checks to facilitate the detecting of dishonest acts and thus forestall the manipulation and misappropriation of bank funds by making these acts most hazardous for the perpetrator.

It is sometimes said that 90% of auditing is psychological.

An aura of complacency on the part of bank management and repeated expressions of confidence in employees, to the accompaniment of inadequate internal and external safeguards and controls, sets the stage psychologically for the weak character to succumb to temptation. He often does just that when triggered by a disruptive happening in his own life.

I would like to review briefly some

L. K. ELMORE

that have come to light recently in investigation of cash shortages and other defalcations. Most of these deficiencies are pretty obvious but nonetheless important. Here are

Some Weak Spots

- (1) Cash drawers left unlocked when teller is absent from his station for various reasons, sometimes for extended periods of time. This is a common deficiency which is not necessarily confined to the small bank but one that leaves an open invitation to the embezzler.
- (2) Inadequate segregation of individual tellers' cash; in other words, it is impossible to assess individual responsibility. It is all too easy to settle for the argument, "It is not practical in our institution to have individual teller's responsibility. It can't be done."
- (3) Combinations on tellers' separate cash vaults not changed upon reassignment to another teller, resulting in knowledge of multiple combinations by individual tellers.
- (4) Cash variations held and accumulated over a period by individual tellers and not put through the general ledger variation account upon occurrence.
- (5) Periodic proofs of cash by auditor not made on a surprise basis or not made at all.
- (6) Cash differences not checked out on day of occurrence.
- (7) Inadequate indoctrination and training of new tellers.
- (8) Inadequate control of cash items, such as advances to employees without official approval.
- (9) Lack of or inadequate dual control on vault cash and securities.
- (10) Top-level policies and general control provisions satisfactory but not carried out or only partially carried out in actual operation. This seems to be a common fault but certainly a dangerous one.

Although the prevention of emoperational and audit deficiencies bezzlement and manipulation should

be foremost in management's mind -should be, let us say, the auditor's constant aim-prompt solution of the crime is of vital importance if lightning strikes. There is an inclination, a natural inclination, to attempt to cover up, to try to avoid any possible publicity, to fail to report to the bank commissioner or prosecuting authorities cash shortages or manipulations that may come to light.

Such procedure is not the answer: it is bad, psychologically, both in the bank and in the industry and is apt te kick back at the bank itself. Situations of this nature just cannot be kept secret. It is unfortunate when dishonesty rears its head in a bank but, once it occurs, it should be treated forthrightly and not concealed. An unsolved and covered up shortage, for instance, leaves a tense, potentially dangerous situa-

Careful Personnel Selection

The basic problem [is] the need for careful personnel selection and personnel attention.

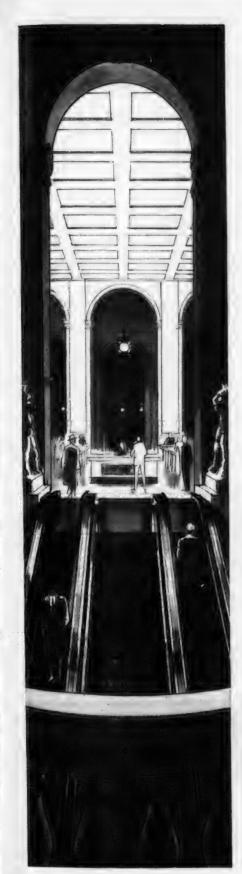
The Retail Credit Company reviewed personnel selection reports on 426 persons, selecting these cases at random from all of their offices about the country. Results:

20.8% of the persons were shown to be subnormal in some respect or other. Reports on them contained facts that raised some question of desirabilityfacts probably not contained in application or other papers.

11.5% of the persons were considered by their reviewers as definitely undesirable. Reports on them contained facts that seemed to warrant declination or refusal to employ.

Poor employment record, questionable reputation, and impairing habits were the most important adverse factors. Poor health or physical condition, financial difficulties, and misrepresentation on application follow along in that order.

These statistics give cause for sober and objective thinking on the subject.



d of if 1-0 d er y r; ot tot te a d n-

p a a-

ts

29

es

to

r.

at

li-

ed

ed

a-

S-

d-S-

es, a.

OF he

iG

The First National Bank of Chicago

Statement of Condition April 15, 1954

ASSETS		
Cash and Due from Banks		\$ 622,170,158.92
United States Government Obligations		696,871,043.10
Other Bonds and Securities		152,016,489.06
Loans and Discounts		1,178,143,531.04
Real Estate (Bank Buildings and Adjacent Prop	erty) .	1,907,955.77
Federal Reserve Bank Stock		5,700,000.00
Customers' Liability Account of Acceptances		3,118,487.24
Interest Earned, not Collected		7,670,038.76
Other Assets		682,840.02
		\$2,668,280,543.91
LIABILITIES		
Capital Stock		90,000,000.65
Surplus		100,000,000.00
Other Undivided Profits		4,522,848.23
Discount Collected, but not Earned		2,642,469.87
Dividends Declared, but Unpaid		1,800,000.00
Reserve for Taxes, etc		31,365,267.96
Liability Account of Acceptances		3,118,487.24
Time Deposits	01,166.74	
Demand Deposits 1,745,7	21,728.04	
Deposits of Public Funds 159,9	95,986.06	2,434,818,880.84
Liabilities other than those above stated .		12,589.77
		\$2,668,280,543,91

United States Government obligations carried at \$223,415,326.59 are pledged to secure United States Government and other public deposits, trust deposits, and for other purposes as required or permitted by law.

Board of Directors

EDWARD E. BROWN Chairman of the Board Marshall Field & J. D. FARRINGTON

President, Chicago, Rock Island and Pacific Railroad Company

JAMES B. FORGAN Vice-Chairman of the

WALTER M. HEYMANN Executive Vice-President

HENRY P. ISHAM President, Clearing Industrial District, Inc.

JAMES S. KNOWLSON Chairman of the Board and President, Stewart-Warner Corp.

HOMER J. LIVINGSTON President

HUGHSTON M. McBAIN Chairman of the Board, Company

BENTLEY G. McCLOUD Banker

HARRY C. MURPHY President, Chicago, Burlington & Quincy Railroad Company

LOUIS B. NEUMILLER Chairman, Caterpillar Tractor Co.

JAMES F. OATES, JR. Chairman, The Peoples Gas Light and Coke Co.

CLARENCE B. RANDALL Chairman. Inland Steel Company

GILBERT H. SCRIBNER Winston & Company R. DOUGLAS STUART Director, Quaker Oats Company

LOUIS WARE President, International Minerals & Chemical Corp.

C. J. WHIPPLE Chairman of the Board Hibbard, Spencer, Bartlett & Co.

JOHN P. WILSON Wilson & McIlvaine

ROBERT E. WILSON Chairman of the Board, Standard Oil Company (Indiana)

ROBERT E. WOOD Chairman of the Board, Sears, Roebuck and Co.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Building with Chicago since 1863

The First National Bank



of Chicago

BANK LAW NEWS

Lending Contract—Sales Contract—Holder in Due Course

CONTRACT TO LEND MONEY

Court holds letter expressing interest in leading money to prospective borrower to be binding contract to lend, but is overruled on appeal.

A RECENT New York case illustrates that a prospective lender's solicitation of new business, if not carefully phrased, can be interpreted as a contract to lend money.

Defendant in the case wrote a letter to a corporation which was negotiating with the city of Miami, Florida, for a contract to set up and operate a plant for the conversion of the municipality's garbage into fertilizer. The letter stated that defendant was prepared to "raise and make available" the amounts necessary for the construction of the plant and to provide initial working capital "up to \$2,600,000 through the issuance of obligations and/or stock."

As matters turned out, defendant did not advance any funds for construction of the contemplated project, and plaintiff, claiming that defendant's letter together with various memoranda and alleged oral agreements, constituted a binding contract to advance funds, sued for \$4,000,000 damages. Defendant, on its part, claimed that its letter had been sent merely to indicate its interest in the proposed venture.

The trial court ruled as a matter of law that defendant's letter did express a binding obligation to finance plaintiff. The jury awarded plaintiff \$560,000 damages, but the trial court set the award aside and ordered a new trial solely on the issue of the proper amount of damages which plaintiff was entitled to receive. Defendant appealed to the Appellate Division of the Supreme Court, First Department.

That court reversed the decision and found for defendant. Stating that the ways and means of financing are an integral part of any financing agreement, it held that defendant's letter had not fixed the nature or extent of the financing to be furnished with the definitiveness and certainty necessary to constitute a binding agreement, nor had it fixed the terms on which the financing was to be furnished. The court gave no weight to the alleged supplementary oral agreements, pointing out that an agreement to finance is not one which can ordinarily be made definitive and binding by oral agreement. It then ruled as a matter of law that defendant's letter was not a binding commitment, and dismissed plaintiff's action. Biothermal Process Corp. v. Cohu & Co., 126 N.Y.S.2d 1.

CONDITIONAL SALES CONTRACTS

Attorney's fees incurred or incurrable for retaking and selling property subject to a conditional sales contract in default are reasonable expenses of such repossession and resale, according to the Federal District Court for Massachusetts.

ALL

"He's on vacation. That's how he wants to spend it!"

A Massachusetts statute provides that "No instrument evidencing a conditional sale of personal property shall be valid unless it contains a provision that, in case of repossession and sale of such personal property for default in payment of any part of the total time price, all sums paid on account of such price and any sum remaining from the proceeds of a sale of such repossessed personal property after deducting the reasonable expenses of such repossession and sale shall be applied in reduction of such price. and that, if the net proceeds of such sale exceed the balance due on such price, the sum remaining shall be paid to the vendee . . .' (emphasis supplied).

Before the court was a contract for the conditional sale of an automobile, which provided that in the event of the purchaser's default the "seller shall deduct all reasonable expenses for retaking and selling such property including a reasonable attorney's fee . . ." (emphasis supplied).

When the purchaser became bankrupt, the holder of the contract made claim upon the receiver in bankruptcy for the return of the automobile or the payment of the outstanding balance due under the contract. The receiver refused to comply on the ground that the contract was invalid under the statute. The referee in bankruptcy then held the contract valid under the statute and issued an order giving permission for reclamation of the property or collection of the balance due. Thereupon the trustee in bankruptcy petitioned the court to set aside the referee's order.

The trustee argued before the court that it had been the intention of the legislature that the word "expenses" should not include any kind of attorney's fees payable by

(CONTINUED ON PAGE 82)

Does your bank have drive-in facilities?



If you have an Indemnity Bankers' Blanket Bond, drive-in facilities are covered. But here is an important point to remember: the amount of your BBB may not be *enough* to cover the *added* business that Snorkel or similar outside customer facilities will bring in.

Why not have an Agent of the Indemnity Insurance Company of North America check your Bankers' Blanket Bond? He will make sure that it is the kind you need and that it is completely adequate to provide your bank with full protection against holdup as well as many other types of loss. See him soon.



NORTH AMERICA

One of the North America Companies which are headed by Insurance Company of North America, founded 1792

PROTECT WHAT YOU HAVE @

Philadelphia 1, Pa.

(CONTINUED FROM PAGE 80) a seller, whether reasonable or not, and that the statute should be rigidly construed so as "to prevent any 'chipping' away of the legislative solicitude to protect conditional buyers . . ."

The court rejected the argument. Stating that "advice from a lawyer as to the rights of a seller to recapture is as inevitable or at any rate as proper an expense as any single step in repossession of property . . .," the court concluded that "it was the legislative purpose to

enable a conditional seller, provided he so stipulated in his contract, to recover a reasonable attorney's fee to cover such expenses as were properly attributable to consultation in advance of a retaking and selling of the property or expenses incurred for legal assistance in the processes necessary to make the conditional seller again the master of his own." In re Seaboyer, 116 F. Supp. 780.

HOLDER IN DUE COURSE

THE misdescription of a partner as "proprietor" in the endorsement of

a check drawn payable to the order of a partnership does not prevent the endorsee from taking the check as a holder in due course, it has been held by the Court of Appeals, Maryland's highest court.

Four checks, totaling \$7990, had been drawn by a finance company payable to the order of Towson Auto Sales. Plaintiff, who operated a check-cashing agency, cashed them for one of Towson's partners upon his endorsement, "Towson Auto Sales, James H. Marvel, Prop." Before the checks were presented to the drawee bank, the finance company ordered payment stopped. When, thereafter, it was sued for their face amount, it offered as its defense, that the plaintiff was not a holder in due course.

Marvel's endorsement, defendant finance company urged, was defective and in legal effect the same as no endorsement at all. Thus, it urged, plaintiff held the checks as a mere transferee subject to the defense that Marvel had obtained them by practicing a fraud upon defendant.

The court, in the course of finding against defendant's argument, noted that the decisions of the state courts are in conflict over the question whether an endorsee can claim as a holder in due course if the payee does not endorse in the identical form in which a check is drawn. However, it held that these decisions were not in point since the payee's name in the instant case was correctly endorsed. The only defect, the court said, was Marvel's incorrect description of his status. It found no prior decisions directly upon this point but held that, so far as it was concerned, the defect was not fatal and plaintiff should prevail. Time Loan Service, Inc. v. Bukowitz, 102 A.2d 289.

JOHN RENÉ VINCENS

A sense of humor helps some people get a laugh out of their friends' troubles.

To some politicians a government payroll is only a matter of relative importance.

Half a loafer is better than a whole loafer.

THE FORT WORTH NATIONAL BANK

FORT WORTH, TEXAS

STATEMENT OF CONDITION AT CLOSE OF BUSINESS
APRIL 15, 1954

RESOURCES

CASH AND DUE FROM BANKS	\$ 63,816,902.54
UNITED STATES GOVERNMENT SECURITIES	55,450,862.68
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS	7,481,820.53
OTHER BONDS, NOTES AND DEBENTURES	558,335.35
STOCK FEDERAL RESERVE BANK	420,000.00
LOANS AND DISCOUNTS\$ 94,812,575.51	
COMMODITY CREDIT CORPORATION 6,690,089.41	101,502,664.92
INCOME EARNED—UNCOLLECTED	606,794.86
BANKING HOUSE AND GARAGE PROPERTY	3,922,416.65
FURNITURE AND FIXTURES	1.00
OTHER REAL ESTATE	1.00
CUSTOMERS' LIABILITY-LETTERS OF CREDIT	10,000.00
OTHER RESOURCES	113,333.69
TOTAL	\$233,883,133.22

LIABILITIES

CAPITAL ACCOUNTS:		
COMMON STOCK\$	7,000,000.00	
SURPLUS	7,000,000.00	
UNDIVIDED PROFITS	1,255,992.02	\$ 15,255,992.02
RESERVE FOR CONTINGENCIES		1,836,989.03
RESERVE-AMORTIZATION OF BOND PREMIUMS		894,452.71
RESERVE-TAXES, INTEREST, EXPENSE, ETC		908,053.67
LETTERS OF CREDIT ISSUED		10,000.00
INCOME COLLECTED—UNEARNED		1,109,185.86
DEPOSITS:		
INDIVIDUAL\$1	55,279,639.60	
BANK	41,179,102.08	
U. S. GOVERNMENT	5,986,969.17	
OTHER PUBLIC FUNDS	11,422,749.08	213,868,459.93
TOTAL		\$233,883,133.22

U. S. Government and other securities carried at \$33,210,865.18 in the above statement are deposited to secure public funds and for other purposes required or permitted by law.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



BURROUGHS STREAMLINED CONTROL PLAN

In the past, mechanization of commercial loan department accounting operations was limited to the machineposting of the liability ledger.

Now, all commercial loan department operations are simplified and completely mechanized under the Burroughs Streamlined Control Plan. From preparation of notes to the final records and reports, each step fits smoothly into an extremely efficient banking system.

Moreover, installment and mortgage loan accounting, in addition to commercial loan operations, can be readily incorporated into the Burroughs Streamlined Control Plan, using the same equipment—the versatile BURROUGHS SENSIMATIC Accounting Machine.

Check the advantages of this plan as it applies to large or small banks. They are detailed in the book "Streamlined Control for the Commercial Loan Department." Call your nearest Burroughs branch, listed in the yellow pages of your phone book, or write Burroughs Corporation, Detroit 32, Michigan.

- Mechanical endorsement, control and proof of all note transactions, plus a record for the borrower.
- Faster teller balancing with automatic daily totals of new loans, loan payments and interest.
- 3. Continuous flow of work to the proof department.
- 4. Elimination of pen-and-ink operations.
- 5. Proven totals by note class for the General Ledger.
- 6. A complete Liability Ledger—quickly and easily.
- 7. Improved delinquency control.
- 8. Greater protection through improvement of audit control.

WHEREVER THERE'S BUSINESS THERE'S



BANKING NEWS

Graduate School is Ready for Its 20th Annual Session on Rutgers University Campus

Still at Capacity Enrollment: 1,070 Bank-Officer-Students

This year's annual session of The Graduate School of Banking will be the school's 20th. The date: June 14-26. Actually, though, the members of the graduating class are due at the Rutgers University campus at 'New Brunswick, New Jersey, on Saturday. The second-year men spend Sunday with their thesis advisers, and the school gets into full operation on Monday. Commencement exercises are on Friday, June 25.

The school opens with 1,070 bankofficer-students who come from 43
states, the District of Columbia,
Alaska, Puerto Rico, and El Salvador.
Enrolment continues at absolute capacity with a substantial waiting list.

There is a regular faculty of 54, with 32 special lectures. Two evening seminars are annual features of the summer session. One is given annually by Dr. W. Randolph Burgess, Deputy to Secretary of the Treasury, which regularly is the first Friday night, which this year falls on June 18. The second, given the following Wednesday, will be given this year by James Burnham, formerly a member of the economics faculty of the school.

There are 393 bankers entering the school this year. The second-year class numbers 349; and there are 328 in the graduating class. The school has three 2-week summer sessions at Rutgers University, but the intervening months are definitely not free time. The students must complete problems throughout the winter months, and each must prepare a thesis, acceptable to a panel of thesis examiners, which is the result of individual research into some phase of banking. The best of these are placed in the Library of the American Bankers Association, where they may be borrowed for study, and in the financial libraries of Rutgers University and Baker Library of the Harvard Graduate School of Business Administration. In addition, these are condensed by their authors for inclusion in Present Day Banking, published annually by BANKING.



Charles E. Orcutt

Charles E. Orcutt, A.B.A. Assistant Secretary, Dies After a Brief Illness

Was Assistant Secretary, Trust Division; GSB Trusts Coordinator

Charles E. Orcutt, assistant secretary of the American Bankers Association, and assistant secretary of its Trust Division, died on April 25 at Columbia Presbyterian Medical Center, New York City, following a short illness. Mr. Orcutt had been a member of the staff of the A.B.A. since 1929.

Mr. Orcutt was born January 8, 1904, in Hammond, Ind., and was graduated from the Durfree High School at Fall River, Mass., in 1924. He received his Bachelor of Science Degree from New York University and later his LL.B. from Brooklyn Law School in 1934.

Fil

edi

ing

50

During his college career, Mr. Orcutt worked in the Probationary Department of the Court of General Sessions in New York City. In 1929, he came to the A.B.A. as a member of the Legal Department, where he remained until 1944, when he transferred to the Trust Division. In 1945, he was named assistant secretary of the Division and in 1953, he was appointed assistant secretary of the Association. In addition, in 1951, he was appointed coordinator of the Trust courses at The Graduate School of Banking, conducted by the A.B.A. at Rutgers University, New Brunswick, New Jersey.

Beyond his responsibilities as a member of the staff of the A.B.A., Mr. Orcutt maintained many outside professional and civic interests. He taught Trusts I and II in the Elizabeth, New Jersey, Chapter of the American Institute of Banking in 1950 and 1951. He was a graduate of The Graduate School of Banking Class of 1946.

Surviving are his wife, Ethel E., and three children—Charles, a senior at Bowdoin College, Brunswick, Maine; Warren, a senior at Freyburg Academy, Freyburg, Maine; and a daughter, Valerie, age 13. Also surviving is one brother, Raymond, of Brooklyn, New York.

School of Banking of South in 5th Year: 300 Students

The School of Banking of the South at Louisiana State University, Baton Rouge, welcomed 130 bank officers from 13 states into the freshman class at this year's session, May 30-June 12. Total enrolment is 300.

There are three annual two-week sessions at the University, with research studies between sessions. This is the fifth year of operation for the school. Registrar is R. Irby Didier, executive secretary of the Louisiana Bankers Association; director is Orrin H. Swayze, senior vice-president, First National Bank, Jackson, Mississippi; associate director, William H. Baughn, College of Commerce, LSU; Floyd Call, secretary of the Florida Bankers Association is chairman of the board

of trustees; Walter W. Schroeder, vice-president, First National Bank of Dallas, is chairman of the executive committee.

Pacific Coast Banking School Set for Aug. 23 to Sept. 3

Applications for attendance at the Pacific Coast Banking School will be accepted until June 30. The school's campus dates, as previously announced, are August 23 to September 3.

This school, held on the campus of the University of Washington, was established in 1938. A trust division was added last year.

Sponsors of the Pacific Coast Banking School are the state bankers associations of Arizona, California, Idaho, Montana, Nevada, Oregon, and Washington.

Finance, Education Leaders Among Speakers at 52nd Annual Convention, A.I.B.

Reese and Gehres Will Talk at General Sessions June 7 and 11

Leaders in the fields of finance and education will be among the speakers at the 52nd Annual Convention of the American Institute of Banking in Los Angeles, June 7 through 11. The program for the convention was announced by Stetson B. Harman, president of the Institute and assistant vice-president and trust officer, First Trust and Savings Bank of Pasadena.

As previously announced by Mr. Harman, the featured addresses at the convention's two general business sessions will be given by Everett D. Reese, president of the American Bankers Association and president, The Park National Bank of Newark, Ohio; and Leslie E. Gehres, Rear Admiral, United States Navy (retired) and executive vice-president, Constitutional Foundation, Inc., San Diego.

The two general sessions are scheduled for Monday morning, June 7, and Friday morning, June 11. Most of the intervening time will be devoted to a series of departmental and Institute conferences. The departmental conferences cover various phases of the banking business, and the Institute conferences are devoted to Institute activities. Other features of the five-day meeting will be the National Public Speaking Contest for the A. P. Giannini Educational Endowment prizes on Monday evening; the National Debate Contest for the Jesse H. Jones National Convention Debate Fund prizes on Tuesday evening: the National Publicity Exhibit; and the election of Institute offi-



Los Angeles—the A.I.B.'s 1954 convention city. A scene along the world-famous Wilshire Boulevard, crossing MacArthur Park, with the downtown section of the city in the background

cers who will serve during the 1954-55 year.

The Statler and Biltmore Hotels will be co-headquarters for the Convention, which will attract over 1,500 bank people from all parts of the United States. These delegates will represent over 110,000 A.I.B. members in 413 chapters and study groups throughout the country. This membership figure is a record high for the Institute, which is the largest educational institution of its type in the world. There are over 55,000 enrolments in the classes on banking and related subjects offered by the chapters and study groups.

Supplementing the business and educational activities of the five-day meeting will be a program of social events

arranged by the Los Angeles Convention Committee. This includes an all-day boat trip to Catalina Island on Wednesday; a series of informal dances following the evening sessions; and the Grand Ball in the Statler on Friday evening, June 11.

The election of Institute officers will take place on Thursday evening, with the new officers installed at the Friday morning session. Alvin E. Roemershauser, assistant vice-president, Whitney National Bank, New Orleans, now Institute vice-president, is the only candidate for the presidency; and Bernard J. Lunt, assistant vice-president, The Fort Worth National Bank, Fort Worth, is the only candidate for vice-president. (CONTINUED ON NEXT PAGE)

Members of the technical subcommittee to the A.B.A. Bank Management Commission's Committee on Mechanization of Check Handling in meeting in New York in early May are left to right: Melvin C. Miller, A.B.A. deputy manager, secretary; C. M. Weaver, assistant vice-president, First National Bank of Chicago; Herbert R. Corey, assistant comptroller, First National Bank of Boston; John A. Kley, vice-president, County Trust Company, White Plains, N. Y., chairman; A. R. Zipf, assistant vice-president, Bank of America, San Francisco; and L. A. Erickson, assistant vice-president, National City Bank of New York



The convention will also elect four members to the Executive Council, the Institute's governing body. The only contest for these seats is in the geographic district comprising New York and New Jersey, where the two candidates are Richard T. Brairton, Monroe County Savings Bank, Rochester, and Frederick M. Darrow, Onondaga County Savings Bank, Syracuse. The three uncontested candidates for the Council are Ernest J. Haugberg, First National Bank of St. Paul: Ralph H. Mittendorff, American Security & Trust Company, Washington, D. C.; and John F. Otto, United States National Bank, Portland, Oregon.

Semifinalists Are Selected in Competition for Giannini Educational Endowment Prizes

Six Will Appear in Finals at A.I.B. Los Angeles Convention

The 12 American Institute of Banking district public speaking contestants who will compete in the semifinal contests of the Institute's 1953-54 public speaking are, according to National Public Speaking Committee Chairman Jerry K. Meacham, Jr.:

Charles E. Lord, Hartford National Bank & Trust Co.; Harriet C. Schwing, Fidelity Union Trust Co., Irvington, N. J.: Norman H. Rea. Fidelity Trust Co., Pittsburgh; Harry M. Schoenly, Riggs National Bank, Washington; T. Scott Fillebrown, Jr., First American National Bank, Nashville, Tenn.; Virgil E. Downing, Jr., Central State Bank, Oklahoma City: Francis L. Relaford, Bank of America, Chula Vista Branch, San Diego; Byron Framsted, Bank of America, Lower Lake, Calif.; Richard C. McClintic, The United States National Bank of Portland, Ore.; Richard S. Fitzgerald, First National Bank, Denver; Ronald F. Goodspeed, Marshall & Ilsley Bank, Milwaukee, and James R. Grandstaff. The Huntington National Bank, Columbus, Ohio.

Two semifinal elimination contests with six people speaking in each will be held in Los Angeles on Sunday, June 6, the day before the Institute's 52nd annual convention opens in that city. The three high-ranking contestants in each semifinal contest will compete again on Monday evening, June 7, in the finals, the National Public Speaking Contest for the A. P Giannini Educational Endowment prize.

The subject to be used for speeches in both the semifinal and final contests is "What Can Bankers Contribute to a Stable Monetary and Fiscal Policy?"

Vermont and New Hampshire Establish Banking School

The first annual Vermont-New Hampshire School of Banking will be held September 7-10, 1954, at Dartmouth College.

About 150 bankers are expected to attend, according to Charles N. Butchelder, chairman of the school of banking committee and executive vice-president of the Dartmouth National Bank of Hanover.

The school is sponsored by the New Hampshire and Vermont Bankers Associations in cooperation with the University of New Hampshire, the University of Vermont, and the Amos Tuck School of Business Administration at Dartmouth College. Each institution will be host to the school once every three years.

Twenty speakers will appear on the four-day program, including representatives of Vermont and New Hampshire financial groups, bankers, and educators.

The school will open with a luncheon meeting September 7 in the Hanover Inn and sessions will continue at the Amos Tuck School. The first day will be devoted to investment problems, the second to loans and mortgages, the third to internal operations, and the fourth to policy problems.

Minnesota and North Dakota Bankers Visit A.B.A. Headquarters

The first in a number of state bankers association delegations scheduled to visit the American Bankers Association's New York headquarters to discuss some of the A.B.A.'s programs with staff members was a joint delegation from Minnesota and North Dakota. The picture, below, shows this Northwest bank group at the Association's offices. Seated, left to right, S. J. Kryzsko, Winona, Minn.; H. R. Kurth, Hutchinson, Minn.; Sharpe Pruetz, president, North Dakota Bankers Association, Kulm; W. L. Boss, president, Minnesota Bankers Association, St. Paul; and W. G. King, vice-president, MBA, Grand Rapids.

Standing, left to right, O. A. Olson, Sr., Braham, Minn.; S. R. Knutson, Hutchinson, Minn.; D. E. Crou-

ley, Minneapolis; W. H. Grell, New Germany, Minn.; K. O. Sattre, Blue Earth, Minn.; A. W. Hoodecheck, Worthington, Minn.; Fred Hodgdon, Bird Island, Minn.; G. A. Redding, Windom, Minn.; A. E. Arntzen, Appleton, Minn.; W. T. Mlackmarr, Wayzata, Minn.; H. G. Hamre, Wood Lake, Minn.; O. C. Stusrud, Mayville. N. D.; T. A. Boright, Sr., editor and publisher, Commercial West, Minneapolis; W. G. Kirchner, Richfield, Minn.; Dr. Harold Stonier, executive vice-president, A.B.A.; F. W. Larson, MBA's executive secretary; Merle E. Selecman, A.B.A. executive manager; P. J. Schirber, Jamestown, N. D.; John Carlander, Faribault, Minn.; F. A. Amundson, St. Paul; F. P. Powers, Mora, Minn.; and G. S. Henry, Minneapolis.



WPIMAN & LESTER



ESISSE PRIME

Group at the New York conference of the executive development program being conducted by the A.B.A.'s department of customer and personnel relations. The New York meeting is the last one until fall; the next will be in September. At extreme left is William Powers, deputy manager of the A.B.A. in charge of the program

A.B.A. Gets Freedoms Foundation Award for Free Enterprise Advertising Series

k

at m ry

ne

n-

u-

on

er

he

he

G. Edwin Heming Accepts Award at Columbia Campus Ceremonies

The American Bankers Association recently received an award from the Freedoms Foundation as a result of a series of 12 newspaper advertisements on the advantages of the American free enterprise system. The ads, which were prepared by the A.B.A. Advertising Department, were first offered in mat form to the Association's member banks last October. Since that time, they have been used by many individual banks in their local newspapers.

The award was presented to the Association in a ceremony on the Columbia University campus. The presentation was made by the Reverend Theodore M. Hesburgh, president of the University of Notre Dame, to G. Edwin Heming, manager of the A.B.A.'s Advertising Department.

The Freedoms Foundation annually presents awards to individuals and organizations who "help bring about a better understanding of freedom by the things they do, write, or say." Judging is done at the Foundation's head-quarters at Valley Forge, Pennsylvania, by a 30-member nonpartisan awards jury composed of state supreme court jurists and executive officers of national patriotic and veterans organizations and service clubs.

The A.B.A. award, which is in the form of a bound certificate, reads:

"Be it known that the American Bankers Association advertising campaign is awarded this certificate by the Freedoms Foundation at Valley Forge in recognition of outstanding achievement in bringing about a better understanding of the American way of life during 1953."

The advertisements will continue to be available to A.B.A. members. Information is available by writing the Advertising Department, American Bankers Association, 12 East 36 Street, New York 16, New York.

A.B.A. Film Wins Award

The Public Relations Council of the American Bankers Association received an award for outstanding merit from the magazine Scholastic Teacher for the A.B.A.'s newest educational film. "Using Bank Credit." The film was one of 10 educational moving pictures produced by business firms, Government departments, and trade associations which were honored in the magazine's annual national film awards. Fifty-eight titles were chosen for the national competition from 150 eligible films produced during 1953.

The award-winning moving pictures were selected by a national panel of audio-visual education leaders, who placed major emphasis on the values in the pictures for use in schools. "Using Bank Credit" was produced for the A.B.A. by Caravel Films, with Film Counselors, Inc., as consultants, and is one of five moving pictures available in the Public Relations Council's high school film series.

The Scholastic Teacher is a magazine with a wide circulation among educators, which is published in New York City for use of classroom teachers. Its annual national film awards are made on information films and educational films sponsored by business or business groups. In the sponsored division, the A.B.A. film was competing with moving pictures produced for some of the nation's largest business firms and the promotional departments of state governments.

A.B.A. Chicago Office Moves to 33 South Clark Street

The Chicago office of the American Bankers Association has moved from the Bankers' Building at 105 West Adams Street to larger quarters at 33 South Clark Street, according to Merle E. Selecman, executive manager of the Association. The new and larger office space has been made necessary as a result of the growing services being provided to Middle West member banks.

Services from the Chicago office of the Association are available to all A.B.A. member banks. The office has on hand a supply of all of the publications and published material of the Association and is the headquarters office for John J. McCann, advertising manager of BANKING magazine, journal of the A.B.A. BANKING'S library of information on bank building and modernization projects, which has been gathered together through a series of national surveys, is maintained in Chicago; and information is available to all banks and their architects and contractors to assist in planning new building or remodeling of existing structures. The office is also used as a headquarters for much of the administrative work in connection with important meetings of the Association, held annually in Chicago.

Back Florence Nomination

A resolution supporting the nomination of Fred F. Florence as vice-president of the American Bankers Association has been passed by the El Paso (Texas) Clearing House Association. Mr. Florence is president of The Republic National Bank of Dallas. It was the clearing house association of Mr. Florence's home city that originally placed his name in nomination, as reported in Banking for November 1953.

News for Instalment Credit Men

Items and Comment from Our Instalment Credit Commission and Other Sources

Good Customer Relations Through Sound Counseling

Customer relations can be improved through sound credit counseling according to Chester A. Rude, chairman of the executive committee of Security-First National Bank of Los Angeles, and member of the A.B.A. Credit Policy Commission. Speaking before the spring meeting of Group Five, California Bankers Association, Mr. Rude said in part:

Use excuses sparingly. Be honest with your customer and don't hide behind the expressions: 'our policy' -'our loan committee'-'the bank examiner'-etc. He doesn't care what your policy is. He wants to know from you whether he gets the loan or not; and if not, he wants to know why. The loan committee is an impersonal body he doesn't know or care about. As for the bank examiners-what reason would they have for objecting? If the loan cannot be made to suit you or your associates, tell the reason and don't pass the buck.

That is one of your responsibilities as a banker. You shouldn't buy personal popularity at the expense of the bank.

In the long run, friends are not made because of the extension of liberal credit. If trouble develops, you have lost not only a friend, but the money loaned as well.

Know your customer. Spend enough time so you will feel confident about his character, habits, hobbies, something about his family, and his general attitude. Get all the facts, analyze and weigh them, because your plans should contemplate a long and lasting relationship.

Laziness is an occupational disease in banking. It means we don't want to be bothered with unusual transactions or one which don't fit a limited pattern. We sometimes become too busy with needless detail to find time to talk to customers.

One of our responsibilities as bankers is to help educate our customers in thrift. It is not thrifty for a customer, or the bank, to think in terms of small down-payments and a long time to pay off an obligation, whether it is buying a home or buying various types of appliances. Liberal terms mean that the customer is paying too much in the form of interest expense. He is tempted to buy too many things and extend his credit too far.

Keep Safe Credit Flowing Says New "Timely Notes"

"The Instalment Credit Commission of the American Bankers Association firmly believes that it is the responsibility of the American banks to extend adequate instalment credit to help maintain our economy on a high level."

So begins the Commission's latest edition of *Timely Notes on Instalment Credit*. This bulletin has just been distributed to member banks of the A.B.A.

"During the past few months," the bulletin continues, "changes in our economic scene have caused some consumer and lender apprehension. As the continuing growth of our economy depends largely on the need and the ability of the consumers to expand their purchases, instalment credit must be made readily available. Excessive contraction of credit at this time, which denies the creditworthy individual the opportunity to meet such needs and to maintain his financial balance, is at least as dangerous as expansion of credit at an unsustainable rate in boom times.

"It is during times like the present that there is a cry for more extended terms in order to help our economy. This could provide a temporary stimulant, but the medicine could be consumed even before the patient is sick. Credit policies and terms, in relation to all other factors involved, should be intelligently determined."

Timely Notes explores current developments generally, and more specifically in the fields of automobile financing, appliance financing, dealer floor plan loans, and FHA Title I. One free copy has been sent to each A.B.A. member bank. Additional copies may be purchased through the Commission.

for

pli

an

the

ing

tro

Di

As

wh

of

Ba

re

of

eq

of

(

10

el

le

of

00

st

B

eı

la

ir

E)

\$15 per Month Buys Stocks Under New C&S Bank's Plan

As little as \$15 a month will buy stocks under a plan introduced in 11 Georgia cities by The Citizens & Southern National and affiliate banks, the state's largest banking group.

C & S believes this to be the first plan of its kind offered by a bank in the United States. Known as the C&S Securities Purchase Plan, it makes it possible for the public to buy securities in the same way they now buy TV sets, cars, and home appliances.

Unlike the New York Stock Exchange's monthly investment plan, the C&S plan allows people to buy unlisted as well as listed securities. The minimum monthly payment of \$15 is far below the \$40 minimum requirement of the Stock Exchange plan. In addition, under the C&S plan the buyer purchases all his securities at one time rather than on a monthly basis.

Mills B. Lane, C&S president, says that hundreds of firms now provide employees with varying forms of stock purchase plans on the theory that the bond between management, ownership, and employees is thereby strengthened.

The C&S has had such a plan since 1936 under which more than 25,000 shares of its stock have been bought by employees.

C&S, which has over 700 accounts from other banks in the United States, has offered the plan to any bank which might be interested in adopting it.

Kick-off day for the C&S plan was one of the features of "Invest in America Week" in Atlanta, one of the many cities observing the week, April 26-May 2.

News on Savings

Items and Comment from Our Savings and Mortgage Division and Other Sources

Electronic and Electro-Mechanical Equipment Study

ler

ch

nal

igh

ks

an

ouy

in

ens

iate

ing

the

y a

own

ase

the

ame

and

Ex-

lan,

buy

ties.

t of

re-

inge

C&S

his

han

savs

vide

s of

eory

nent,

reby

ince

,000

ught

unts

nited

any

d in

was

t in

e of

veek.

KING

FASTER and more accurate service for customers of banks, through application of electronic and electromechanical equipment to accounting and other operating procedures, is the object of extensive studies being made by a Committee on Electronics of the Savings and Mortgage Division of the American Bankers Association. The Committee, of which Joseph Earl Perry, president of the Newton (Mass.) Savings Bank, is chairman, met in New York recently to explore the requirements of banks which may be filled by equipment produced as a result of current electronic research and development by machine manufac-

The Committee agreed that banks need to provide faster and more accurate service for their customers, particularly at tellers' windows in savings departments.

Discussions covered the objectives of the Committee, which include: (1) a study of the latest technological developments in the field of electronics pertaining to the problem; (2) coordinating the activities of the Committee with other similar committees in the banking industry; (3) creating a committee of technicians whose chief function is the study of systems; and the streamlining of procedures to cope with increasing personnel problems and related costs, while at the same time improving internal control and facilitating examinations; (4) automatic processing of all transactions with the production of desired records, visible or equivalent; (5) the development of procedures which can be understood by banks and attractive enough to be accepted by them; (6) and the establishment of a common ground for the development of basic machines which can be used by small banks and adapted to the needs of the largest.

Consideration is being given to a program of enlarging the Committee

The flannel board method of presenting a subject was used by Howard D. Crosse, assistant vice-president of the Federal Reserve Bank of New York, in explaining the part played by the Federal Reserve System in the nation's economy at a Brooklyn meeting of Group V, Savings Banks Assn. of N. Y.



to include representation of all types and sizes of banks; a study of current practices in both large and small banks to which electronic techniques can be applied; a study of developments in electronics and electro-mechanical fields and their evaluation in the light of bank requirements; the maintenance of contacts with departments of digital computation at various universities and manufacturers of equipment; and the preparation of coordinated functional specifications to guide machine manufacturers.

Because of the cost of specialized electrical equipment, the Committee is seeking to arrive at a practical development program which will encourage production of machines adaptable to multiple uses.

Buffalo School Savings

School savings deposits in the Buffalo Savings Bank, Buffalo, New York, have reached \$1,000,000, according to President Bryant Glenny. The bank's school savings service was started in February 1949 and now serves 23,347 accounts, plus 9,571 "grown-up" accounts; that is, students' accounts converted to regular savings accounts after balances had reached \$25.

In addition to 27 public and 18 parochial schools served exclusively by the Buffalo Savings Bank, this and other Buffalo savings banks jointly serve 39 other schools.

New: "The School Bank"

School savings banking provides a valuable social service and is a sound banking operation, says John W. Kress, president of the Savings and Mortgage Division of the American Bankers Association, and executive vice-president, The Howard Savings Institution, Newark, N. J., writing in the initial issue of The School Bank, which is being mailed to banks and interested school administrators active in school savings banking.

The publication will be issued periodically by the School Savings Banking Committee of the Savings and Mortgage Division of the A.B.A. Millicent A. Trichler, assistant secretary, Dollar Savings Bank, New York City, is chairman of the Committee; and Agnes R. Martin, assistant vice-president, The Philadelphia Saving Fund Society, Philadelphia, is chairman of the editorial committee of The School Bank. The new publication is designed to bring banks in the school savings field the latest developments in national school savings activities and up-tothe-minute information pertaining to school savings operational and promotional techniques.

According to the Committee on School Savings Banking, there has been an encouraging increase in interest in the activity in all sections of the country. Requests are being received from banks, members of boards of education, and school principals for information on school savings. This interest has encouraged the Committee to enlarge its activities including the new publication and other things that will assist banks to do a more effective job.

Pennsylvania Thrift Study

A survey of bank savings accounts recently made by the Pennsylvania Bankers Association shows that regular savings account totals held by the people of Pennsylvania increased 18% during a six-year period from December 31, 1946, to December 31,

Total deposits of the average bank in the state increased 22% during this period, and savings accounts maintained their relative importance, only decreasing from 47% to 45% of total deposits.

The study was made by the PBA Analysis, Costs, and Charges Committee under the direction of Chairman J. Edwin Wilson, who is vicepresident and comptroller, Peoples First National Bank & Trust Co., Pittsburgh.

Using 1946 as an arbitrary base year for the study, final compilations show that Pennsylvanians make withdrawals from savings accounts each year in excess of 30% of the average savings account balances for that year; that bank gross income from all sources increased during the six-year period. In 1952 it represented a 3.2% return on total deposits, compared with a 2.6% return on a smaller volume of deposits at the end of 1946.

Savings and Mortgage Conference Proceedings

THE Proceedings of the annual Savings and Mortgage Conference held in New York City last March under the auspices of the Savings and Mortgage Division of the American Bankers Association are now available in two printed volumes.

Volume I contains material on these subjects: "The Savings and Mortgage Picture"; "Recognizing Current Investment Problems"; "The Use of Electronics by Small and Large Banks"; "AM + PM + HT =Builds Savings Deposits," a panel discussion on public relations; and a "Mortgage Lending Symposium" covering these topics: "New Aspects of the Open End and Package Mortgages"-"What We Have Learned in Making Out-of-State Mortgages"-"Financing Home Improvements"and "Competing for Mortgages in 1954."

Also, "The Role of Government in Housing and Mortgage Finance": and "Does Government Insurance Develop Excessive Mortgage Credit?"

Volume II is devoted entirely to remarks by John J. Redfield, member of the firm of Cadwalader, Wickersham and Taft, New York City. on the subject of "Out-of-State Mortgage Investments." It also includes forms adaptable for use in making out-of-state mortgages.

po

re

iza

He

N.II

to

th

m

on

m

tl

ela

re

EG.

m

th

te

tie

in

tic

in

th

in

BI

to

'ei

ir

tı

f

J

Each of the volumes is priced at \$1 to cover costs.

Saving Continues Uptrend

ESTIMATED time deposits in all commercial banks on March 31, 1954, were \$44.5-billion, an increase of \$1.1-billion since December 31, 1953, according to the Federal Reserve Bank of New York.

The aggregate deposits in all mutual savings banks on March 31 were \$24.9-billion and showed an increase during the first quarter of 1954 of \$500,000,000.

Savings deposits in the savings bank of New York State for the first quarter of 1954 showed a record increase of \$310,757,000, according to Walter J. Hess, president of the Savings Banks Association of the State of New York and of the Ridgewood Savings Bank. This was the largest gain ever experienced during a first quarter and compares with \$293,-871,000 last year. Total deposits in New York State mutual savings banks now are \$14,651,279,000.

The gain in accounts in New York State was 52,304, bringing total regular accounts to 8,086,458. This compares with a gain of 69,579 accounts a year ago.

News for Mortgage Credit Men

Items and Comment from Our Savings and Mortgage Division and Other Sources

A.B.A. Suggests Ways of Tightening FHA Procedure

In response to an invitation from Senator Homer E. Capehart, chairman of the Senate Banking and Currency Committee, John A. Reilly, president of the Second National Bank of Washington, D. C., made a second appearance before the Banking Committee (April BANKING, page 86) and offered suggestions for amending S. 2938, known as the Housing Act of 1954.

Mr. Reilly is a member of the American Bankers Associations Committee on Federal Legislation and chairman of the Committee's Subcommittee on Mortgage Financing and Urban Housing. The A.B.A.'s recommendations were sought in an effort to avert a recurrence of the alleged excessive loans in connection with insured home financing.

"in the absence of specific and complete information as to the nature and extent of the conditions alleged to have existed, our views cannot be definitive at this time." He reaffirmed his previous testimony on S. 2938 and said the A.B.A. "has consistently advocated the extension of sound housing credit."

Continuing, he recommended "that Mr. Reilly told the committee that FHA pursue a thorough program of

policing loans, under authority already at its command, and in conformity with recognized sound practices of private insuring organizations.

8

g

t

e

B

f

S

st

0

V-

te

d

st

st

,-

38

ck

n-

m-

re

red

he

re-

on

123

ion

nat

of

NG

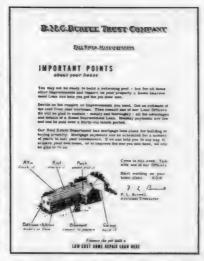
"In the report of the President's Advisory Committee on Government Housing Policies and Programs," he said, "specific steps were proposed to strengthen the administration of the Title I home repair and improvement program. FHA put these recommendations into effect December 1, 1953, by amending its Title I regulations and made them a requirement of the insuring program. If these amended regulations were forcefully applied, they will help materially to achieve the desired objectives. Too short a time has elapsed to observe the effect of these regulations. . . These amended regulations are designed to eliminate misuse and misrepresentation and at the same time to permit the maintenance of a practical lending opera-

"As a possible means of preventing recurrence of the alleged conditions under Section 608, we recommend that consideration be given to amending those provisions in S. 2938 which relate to large-scale rental projects, including cooperative housing projects under Section 213 of the National Housing Act and those intended to assist in slum clearance and urban renewal activities in order to require that the loan-to-value ratio be determined by FHA on an estimate of total value, based upon 'economic soundness,' and not upon 'current cost'."

NYU Mortgage Executive Conference "Proceedings"

New York University's Graduate School of Business Administration has ready for distribution its Proceedings of the Ninth Annual Conference of Executives in Mortgage Banking, which was held recently at the University. Price \$2.

"Mortgage Banking in a Period of Readjustment" was considered during the three-day "economic retreat" for bankers and educators from throughout the United States and Canada. The *Proceedings* offer in printed form all the speeches and graphic studies presented during the meeting.



Specially prepared letters featuring individual bank services are sent out periodically by the B.M.C. Durfee Trust Company of Fall River, Massachusetts. This letter, designed to sell home repair loans, is a good example of the style used by the Durfee Company

GI Housing Outlook

World War II and post-Korea veterans should find it easier to obtain GI housing in the next few months, says the Veterans Administration. It based its statement on these two factors which have developed in the GI loan picture during the first three months of 1954:

(1) The number of proposed dwelling units for which VA received appraisal requests from builders and lenders during the first three months of 1954 was 65% higher than for the same period of 1953. During March, VA received appraisal requests for 36,501 units which was the highest since the all-time peak in October 1950, just before credit curbs were invoked.

(2) VA reports on appraisal assignments by its regional offices for existing homes show an increase of about 15% during the first three months of 1954 over the corresponding period of 1953.

VA said the big increase in appraisal requests, which was general throughout the country, reflects an easing of the supply of GI loan mortgage money in many sections.

The home loan application rate rose from a low of 21,410 in January 1954, to 26,865 in February, and 27,913 in March.

The number of loans being made

for 25 years or more has increased from about 35% in the spring of 1953 to 55% in February 1954.

A.B.A. Favors Voluntary Home Credit Program

To emphasize its approval of the proposed Title VI-Voluntary Home Credit Program - included in the Housing Bill of 1954 as passed by the House, H.R. 7839, the American Bankers Association has filed a supplementary statement with the Senate Banking and Currency Committee. This provision is intended to encourage and facilitate the flow of mortgage credit into remote areas and small communities, through the voluntary cooperation and effort of private lending institutions. It was presented by a representative of the insurance companies subsequent to the testimony of John A. Reilly, president of the Second National Bank of Washington, D. C., and a member of the A.B.A.'s Committee on Federal Legislation.

The A.B.A. supplementary statement included these points:

"We believe that this Voluntary Home Credit Program is more in accord with the national housing policy as expressed in the President's Housing Message and in the report of the President's Advisory Committee on Government Housing Policies and Programs than the central mortgage marketing facility under a rechartered Federal National Mortgage Association provided under Title III of S. 2938, in that the Voluntary Home Credit Program is intended to encourage private enterprise to assume greater responsibility in meeting housing and homefinancing needs without Government support or assistance.

"We believe that this Voluntary Home Credit Program would go a long way in facilitating the flow of mortgage credit into remote areas and small communities without resort to a government supported mortgage marketing facility, particularly if as provided in Title II of S. 2938, recognition is given to the need for some flexibility in interest rates and adjustment of fees and charges.

"The American Bankers Association will give its cooperation and support in seeking to make the Voluntary Home Credit Program effective if it is authorized by Congress."

Housing Starts

New permanent nonfarm housing starts in April totaled 110,000, according to preliminary estimates of the U. S. Department of Labor's Bureau of Labor Statistics. This compares with 97,000 starts in March.

On a seasonally adjusted basis, private housing starts in April were at an annual rate of 1,159,000.

April Construction At Peak

Construction activity continued at record levels in April. Total dollar outlays for new work rose 9% to \$2.8-billion, according to preliminary estimates of the U. S. Department of Labor and the U. S. Department of Commerce. The April gain was about seasonal, and brought expenditures in 1954 to more than \$10-billion, or slightly above the 1953 figure for the first four months.

The March-April rise mainly reflected the usual spring expansion in private residential construction, plus a more-than-seasonal spurt in highway activity. Total private expenditures increased by 7% from March to \$1.9-billion in April, and public outlays rose by 16% to \$900,000,000. Spending was at peak rates for the month of April on highways, on com-

mercial, religious and educational (private and public) building, and on public-utility and sewer and water construction.

Private residential building, totaling \$956,000,000 in April, was up 10% from March and at about the same level as in April 1953.

Mortgage Credit School

E STABLISHMENT of the School of Mortgage Banking under sponsorship of the Mortgage Bankers Association of America in cooperation with the School of Commerce of Northwestern University, the first full educational project organized in the field of real estate financing, was announced recently, with course I of the three-year course scheduled for June 13 to 19 at Northwestern's Chicago Campus. Courses II and III will be given in 1955.

Course I, which includes an extensive home study program, is devoted to the financing of dwellings. Subject matter of the course includes study of the economics of real estate financing, production of loans, legal aspects of mortgage investments on dwellings, closing mortgages and preparing them for sale, purchase of mortgage loans, study of the financial institutions in the field, the role of the servicing agent and the posi-

tion of government insured and guaranteed loans.

International Bank Bonds

THE International Bank for Reconstruction and Development estimates that in the U.S.A. its dollar bonds and guaranties are held to the extent of 30% by mutual savings banks, 30% by pension and trust funds, 29% by life insurance companies, and 11% by commercial banks and others," writes Herbert Bratter in the Savings Bank Journal.

"Currently the IBRD has outstanding bond issues totaling the equivalent of \$731,845,206," said Mr. Bratter. "Of the total \$665,000,000 were issued in U. S. dollars, the rest being payable in Swiss francs, pounds sterling, and Canadian dollars. From the first flotation in July 1947, when \$250,000,000 were borrowed, through January 1954 there have been nine U. S. dollar issues by the Bank . . ."

Continuing, Mr. Bratter states:

"When the International Bank for Reconstruction started business, its bonds were not legal investments for savings banks in all states. Today 27 states and the District of Columbia, including all 17 states where there are mutual savings banks, with the sole exception of Oregon, permit savings bank investment in IBRD bonds. . . ."

News for Trustmen

Items and Comment from Our Trust Division and Other Sources

Trust Advertising Study

A ONE-QUESTION questionnaire recently sent to some 2,800 trust departments of banks by the Committee on Trust Information of the A.B.A. Trust Division sought the answer to this question: "What percentage of your personal trust department's commission income do you spend for advertising its services?" Included in the questionnaire were definitions of "personal trust department," "commission income," and "advertising."

In an analysis of the 663 responses received by the Committee,

Chairman Earl S. MacNeill reports in the May *Trust Bulletin* that 165 of the banks "reported they spent nothing."

"The average percentage spent for trust advertising by all of the 448 banks which supplied percentages was 5.36%," said Mr. MacNeill. "This figure, however, is disproportionately high, for it is heavily weighted by the percentages of the many smaller trust departments which spent considerably more in proportion to their earnings than the relatively few larger organizations."

In his comprehensive analysis of the questionnaire returns, Mr. MacNeill, who is vice-president of the Irving Trust Company of New York, includes information which trustmen may find helpful in determining their own advertising budgets. Those who may not have seen the MacNeill article can obtain a copy of the May Bulletin for personal use by writing to the A.B.A. Trust Division.

Good and Mediocre Wills

THE principal difference between the excellent wills which we receive and those which are mediocre, or (CONTINUED ON PAGE 94)



Every day some 11,000 travelers arrive in New York by air. When their plane wings in over lower Manhattan, this dramatic, bird's-eye view of the city's financial center is spread out before them.

Here is the head office of the Chase National Bank where scores of businessmen and bankers from out of town are welcomed every day.

At Chase these visitors find officials who are familiar with trade developments and business methods in foreign markets as well as in all parts of the United States. They also find in New York a network of Chase branches whose staffs are in touch with the diverse business interests and enterprises of the city.

Chase stands first in loans to American industry, and for many years has also been number one in correspondent bank relationships. Almost half of the banks in the country which maintain banking connections in New York have selected the Chase National as depositary.

If you are considering a New York banking connection, why don't you talk to the people at Chase?

Chase

NATIONAL BANK OF THE CITY OF NEW YORK

HEAD OFFICE: Pine Street corner of Nassau Member Federal Deposit Insurance Corporation

e cot s, l-y-es

or is or y

he

k,

st-

n-

ts.

he

ру

vi-

5

en

ive

or

NG

The Bank's Role in Estate Administration (I)

PERRY PITCHER, trust officer of the Central National Bank and Trust Company, Topeka, Kansas, spoke at the Kansas Bankers Association's trust conference in Lawrence on the "Bank's Role in Estate Administration." Because we believe that banks contemplating trust powers as well as those already having them will find his remarks of interest, Bank-Ing will present in serial form the substance of his remarks.

In his introduction, MR. PITCHER outlined the steps incident to a bank's appointment as administrator or executor. Future instalments will deal with inventories, Federal estate tax returns, investment reviews—sale or retention of securities, rendering court accounts, and closing procedure.

First Steps

FIRST STEPS—after trust committee has approved acceptance of appointment:

At this point we at least know something about the case and the first step is to confer with the attorney who represented the decedent—or the attorney whose services are indicated in the case, and arrange to have him prepare the necessary legal papers.

Assuming now, the bank has qualified in some capacity, or petition to probate has been filed . . .

Where there is a will we run a number of copies on the multigraph, the number depending on the number of stocks involved, the number of beneficiaries, copies for office use and filing with inheritance tax, Federal estate tax, and other returns, send a copy to each beneficiary with Notice of Hearing on Petition to Probate, and send several copies to the court for use in connection with "Widow's Election" and easy certification.

Safe Deposit Box

As to safe deposit box (we handle very few estates where there is no box) we go to the box (whether in our bank or any other) accompanied by the attorney and as many of the parties in interest as we can get together, and

(1) List all of the contents,

usually on a pad of paper with several carbons, in the presence of the parties, and

(3) Give one or several of the parties in interest a copy.

List of Contents

Usually, at the same time we list the contents of the box, or otherwise take over the assets; we fill out estate information and estate procedure blanks—adding other pertinent information, or follow-up data on additional sheets. We also take the following additional steps:

(1) Multigraph copies of Letters of Appointment for transfer agents, banks having deposits, etc.

(2) Forward certified copy of letters to postmaster requesting by letter that all mail addressed to decedent be sent to us.

(3) Write all transfer agents requesting that all dividend checks or other communications concerning the stock involved be sent to us and enclose certified copy of Letters of Appointment.

(a) We do not make a practice of having the securities registered in our name as executor.

(4) Secure copy of last personal property tax return from county assessor's office (we go and copy it), try to locate last income tax return and canceled checks for previous year.

(5) Make inspection of all real estate and personal property other than securities and consider its disposition, retention, or distribution.

(6) Mail as soon as substantial facts are ascertained, preliminary notice form 704, to Internal Revenue Department, if estate will exceed \$60,000.

(a) Also write all life insurance companies requesting executed form 712 on policies involved.

News for Trustmen

(CONTINUED FROM PAGE 92)

by

of

poor, lies not in any failure to conform with the law or to take advantage of tax savings, but is most often found in a failure to convert standard clauses to individual needs," Henry W. Brockenbrough, assistant trust officer and assistant secretary, State-Planters Bank and Trust Co., Richmond, recently told members of the Richmond Bar Association.

"It is an injustice to the client to encourage his adopting a plan for tax savings which is not in keeping with his personal wishes," said Mr. Brockenbrough. "A will is not a tax vehicle; it is an expression of the testator's hopes for his family, his business, the charities in which he is interested, and for his estate which he has spent a lifetime building."

New York's Mutual Trust Investment Fund

THE New York State Legislature at its 1954 session passed a bill authorizing the banks and trust companies of the state to establish a mutual trust investment company to manage the investment funds held under trust agreements by the smaller banks of the state.

The objectives of this measure were explained by the Trust Division of the New York State Bankers Association in this letter to the Governor prior to his approving it:

"This [act] is the result of several years of study on the part of the Trust Division of the New York State Bankers Association in cooperation with the New York State Banking Department and the Surrogates' Association. It is designed to provide a properly regulated medium for the investment of fiduciary funds held by banks and trust companies in the State of New York. The need for such a medium arose because of the fact that out of some 236 banks and trust companies in the state having trust powers, only 25 of such banks and trust companies found it expedient to establish common trust funds.

"The Mutual Trust Investment Company is designed to pick up where the common trust fund has left off and the Trust Division believes confidently that the new fund by the banks and trust companies be made to operate the fund on a non-profit basis as inexpensively as possible, to the end that the participating trusts may benefit to the

t

t it j. ١., rs

n. nt m pid ot of y, ch te ı e

t

ire bill ma iny eld allure iviers the it: sevof ork pernktes' proium nds nies reed e of nks tate such d it rust nent has befund will have wide and effective usage fullest extent and it is felt that the beneficiaries of those trusts will have of this state. Every attempt will a greater stability of income plus a wide diversification of investment risk . . .

". . . it should prove to be a great step forward in improving the mutual trust investment company.

quality of the fiduciary administration in many areas where this kind of assistance is desirable and necessary . . ."

The NYSBA's Trust Division is already taking steps to set up a

CALENDAR

	A	merican Bankers Association	July	22-24	West Virginia, Greenbrier Hotel, White	
					Sulphur Springs	
June	7-11	Annual Convention, American Institute of Banking, Statler and Biltmore ho- tels, Los Angeles	Aug.	22-27	Pennsylvania Bankers Association, Sum- mer School, Pennsylvania State Uni- versity, State College	
June 1	14-26	The Graduate School of Banking, An- nual Session, Rutgers University, New Brunswick, New Jersey	Aug.	29-31	Maine Savings, Poland Spring House, Poland Spring	
Aug. 1	19-20	Western Regional Trust Conference, Hotel Statler, Los Angeles	Sept.	9-11	Massachusetts Savings, Washington Hotel, Bretton Woods, N. H.	
Oct.	17-20	80th Annual Convention, Atlantic City	Sept.	17-18	Connecticut Savings, Hotel Wentworth-	
Nov.	4- 5	Midcontinent Trust Conference, Drake Hotel, Chicago, Ill.			By-The-Sea, Portsmouth, New Hamp- shire	
Nov. 29-		Third National Agricultural Credit Con-	Oct.	11-12	Nebraska, Fontenelle Hotel, Omaha	
	ec. 1	ference, Hotel Peabody, Memphis,	Oct.	24-26	Kentucky, Brown Hotel, Louisville	
Dec. 16-18 Na		Tenn. National Credit Conference, LaSalle Ho-	Nov.	3- 5	New York Savings, The Greenbrier, White Sulphur Springs, W. Va.	
		tel, Chicago, Ill.	Nov.	7-10	Iowa, Ft. Des Moines Hotel, Des Moines	
		State Associations			Other Organizations	
					•	
May 2		When in the Complete		30-	School of Banking of the South, Louisi-	
	une 3	Virginia, Cruise		une 12	ana State University, Baton Rouge	
June	3-6 4- 5	New York, Lake Placid Club, Lake Placid South Dakota, Franklin Hotel, Dead-	June	14-26	15th Iowa Management Course, State University of Iowa, Iowa City	
June	5	wood Connecticut, Griswold Hotel, Groton	July	4-17	Western session, Graduate School of	
June	6- 8	Idaho, The Lodge, Sun Valley			Credit and Financial Management Credit Research Foundation of the	
June	9-13	Dist. of Columbia, Greenbrier Hotel, White Sulphur Springs			National Association of Credit Men Stanford University, Stanford, Calif.	
June	10-11	Massachusetts, New Ocean House, Swampscott	Aug	. 1-14	Eastern session, Graduate School of Credit and Financial Management	
June	12	Nevada, Reno			Credit Research Foundation of the	
June	11-12	New Hampshire, Wentworth - By - The - Sea, Portsmouth			National Association of Credit Men Dartmouth College, Hanover, N. H	
June	11-12	New Hampshire Mutual Savings, Went- worth-By-The-Sea, Portsmouth		8-20	School of Consumer Banking, University of Virginia, Charlottesville	
June	11-12	Wyoming, Wort Hotel, Jackson	Aug	g. 23-	School of Banking, University of Wis	
June	13-15	Oregon, Gearhart Hotel, Gearhart	Q	Sept. 4	consin, Madison	
June	14-15	Minnesota, St. Paul Hotel, St. Paul	Sep	t. 26-30	Financial Public Relations Association Hotel Statler, Washington, D. C.	
June	14-15	Utah, Utah Hotel, Salt Lake City	Sor	t. 27-30		
June	14-16	Illinois, Drake Hotel, Chicago	per	16. 21-00	ers Association of America, Conra	
	18-19	Vermont, Equinox House, Manchester			Hilton Hotel, Chicago.	
	21-22	Washington, Winthrop Hotel, Tacoma	Sept. 30- Oct. 3		Association of Bank Women, Nation	
	21-23	Wisconsin, Schroeder Hotel, Milwaukee				
	24-26	Michigan, Grand Hotel, Mackinac Island			Texas	
June	24-26	Montana, Many Glacier Hotel, Glacier National Park	Oct	. 3- 6	Consumer Bankers Association, Hotel Roosevelt, New Orleans, La.	
June	25-26	New Jersey Savings, Monmouth Hotel, Spring Lake	Oc	t. 13-15	State Banks, Sir Walter Raleigh Ho	
June	25-27	Maine, Poland Spring House, Poland Spring	Oct. 18-21		tel, Raleigh, N. C.	
July	8-10	Central States Conference, Grand Hotel, Mackinac Island, Michigan			and Comptrollers, 30th Annual Corvention, San Francisco	

KING

The Common Trust Fund in a Medium-Sized Trust Department

MR. Gores, who is assistant trust officer of the Lincoln National Bank of Cincinnati, Ohio, spoke at a trust conference in Columbus sponsored by the Ohio Bankers Association. His remarks, reported in part herewith, included reasons behind his bank's establishing such a fund and the advantages and disadvantages to the bank and its trust customers from the operation of a common trust fund.

ASICALLY, a common trust fund is a super trust in which previously existing trusts invest jointly, sharing investment experiences and participating pro rata both as to income and as to principal consequences. As a super trust, it is entitled to special taxation treatment at least for Federal income tax purposes, and the trustees need only make an information return.

Participation in and withdrawals are made at stated intervals, usually quarterly; bookkeeping is usually on the accrual basis. The day-to-day operation of the fund is governed by the formal agreement adopted by the board of directors of the trustee bank and approved by its general counsel, which must comply with three statutory sources of common trust fund authorization and regulation, which are Section 17 of Regulation F setting forth trust powers of national banks issued by the Federal Reserve Board; Section 169 of the Internal Revenue Code; and Section 1117 of the Revised Ohio Code, which, of course, would be applicable only to Ohio common trust funds.

Reasons for Decision

Let us now turn to why we determined to adopt a discriminatory common trust fund. Our legal trust volume does not justify consideration of a separate fund, but what I have to say would apply with appropriate emphasis to a legal common trust fund were such feasible. The basic reason for our decision was that a majority of our trust committee gradually became con-

GUIDO J. GORES

vinced that we were not doing an adequate investment job for the small discriminatory trusts when we invested specifically for each trust on an individual basis. Proportionately, they represent a large bulk of our business: in terms of revenue results, they have taken a most disproportionate amount of time both for routine administration and for investment. Finally, in terms of investment performance, the experience of the first 20 years of our participation in the trust business indicated to us that, in general, our investment results on small trusts were less satisfactory than they ought to be. . . . Possibly the most compelling reason for our adoption of the common trust fund was the principle of investment diversification. In our small and medium-sized trusts, i.e. those under \$50,000, we just were not able to buy enough shares of enough different companies to get proper diversification to avoid the pitfalls of too many eggs in one basket. Also the attempt to avoid too many eggs in one basket seemingly wound up in endless discussion in the trust investment committee as to how to invest very small sums of money.

Effect on Investment Policy

The common trust fund has changed the problem entirely. We probably discuss the investments held for the fund with greater detail and thought than any other investments, but when you are dealing with the effect of an investment in an individual security in a fund of \$400,000 (the size of our fund today), from which you are only going to invest (outside of Government paper) in any one particular situation to a maximum of \$40,000 and for practical purposes probably only to the extent of \$10,000 or \$15,000, the consequences of a mistake in particular investment loom small. Conversely, the opportunities for appreciation for that investment

are small. At the same time, the income incident to that investment is small in terms of the entire fund. Thus you avoid the pitfalls of lack of diversification, of refusing to consider an otherwise suitable security because of too limited yield, and of the need of sacrificing otherwise satisfactory characteristics for income alone.

In two and one-half years' operation of our fund, we feel that our investment experience has thoroughly justified the establishment of the fund. Ours is a fund balanced at the moment equally between fixedincome securities and equities. We have a list of approximately 40 issues-20 representing various types of fixed-income securities with a sprinkling of convertible securities bought without reference to the conversion, and 20 high-grade common stocks. The yield today on the fund at 41/1% on market value is not materially different from that of the average of our small trusts before the establishment of the fund. Likewise, two and one-half years' change in market value of the principal of these same trusts is not materially different (plus 11%); if anything, it is somewhat better because we have deliberately upgraded the type of securities being purchased. We have been able to do so; under the old system we fought shy of doing so.

Other CTF Advantages

Leaving now the investment considerations, which to me as the trust investment officer are paramount, let us examine some of the other advantages of the common trust fund device.

In soliciting trust business and in dealing with trust prospects, at least for a certain type of prospect, the existence of a common trust fund is a good sales argument; doubly so, of course, when combined with a reduced fee. This problem of the reduced fee is a very difficult subject inasmuch as the trustee, for supposed real savings in bookkeeping

(CONTINUED ON PAGE 98)



They are both good collateral when secured by a LAWRENCE FIELD WAREHOUSE RECEIPT

And not only are steel and grain prime security but so are countless other commodities when covered by a Lawrence receipt. Bank officers throughout the United States, Canada and Mexico recommend inventory loans secured this way since each Lawrence Warehouse receipt is backed by the *integrity* of the Lawrence Warehouse Company.

In addition, each Lawrence receipt is backed by legal liability and fidelity bonds totaling

\$1,000,000 at each of the more than 2500 Lawrence field warehouse locations. Such comprehensive coverage affords unsurpassed security for banks and other receipt holders.

Consider, too, Lawrence facility — typified by the exclusive Lawrence-IBM Commodity Collateral Report for loan officers. Electronically compiled, this record keeps the banker always up to date on inventory values, while reducing the cost of servicing commodity loans.

LAWRENCE ON WAREHOUSE RECEIPTS



. . . IS LIKE CERTIFIED ON CHECKS

AWRENCE WAREHOUSE OMPANY

NATIONWIDE FIELD WAREHOUSING

37 Drumm Street, San Francisco, California

100 N. La Salle St., Chicago 2, III. • 79 Wall Street, New York 5, N.Y.

OFFICES IN PRINCIPAL CITIES

inis he ick onity of atme ranur ghthe at ed-We ispes a ties connon und not the fore

ikeinge

l of ially g, it

nave

e of

nave old

SO.

con-

rust

t, let

ad-

fund id in least

fund y so, a ree re-

bject

sup-

eping

KING

(CONTINUED FROM PAGE 96) and investment operations, is taking on all the obligations of a full trust on a barely compensatory basis. Especially the medium-sized trust company cannot afford to be utterly mechanical about these obligations; individualized service is our strongest sales point.

Then there also is some intangible advertising value in a common trust fund. Under the rules and regulations you cannot effectively advertise the fund, yet clearly you can say you have one, and this seems to have appeal with prospects.

Finally there is the point that if your competition is offering the service and the customer thinks the service has value, certainly the existence of a competently run fund in your own institution should help your competitive position.

Operations Advantages

Turning now to operations, it would appear that there are these advantages from the adoption of a common trust fund:

First is the reduction in over-all bookkeeping cost. At the conclusion of the first year of operation of our fund, when it approximated \$320,-000, we had accomplished an annual net reduction in income entries of 312. If you assume that an entry costs somewhere between 60 cents and \$1, the saving is considerable. In the ensuing year some further net reduction in entries occurred. The fund grew more slowly so that the net reduction was not as significant, being something in the nature of a net reduction of an additional 125 entries on the income side. Our estimate is that we are now saving annually in excess of 500 income entries in the individual trusts against which we have approximately 120 annual entries in the common trust fund—quite a respectable saving.

As to the principal side, a somewhat similar situation is presented, except that in the first year or two, while you are shifting your individual trusts into the comon trust fund, depending somewhat on the composition of the individual trusts selected for participation, you will have an increase in entries rather than a reduction. After that you should have a continuing net reduction in entries because the bulk of participation thereafter will be out

of cash or assets in kind coming in from the outside as to which you have an initial investment problem in any event.

Tax Return Simplification

It follows that the preparation of the income tax returns for most trusts is much simplified where a common trust fund is in existence.

Another advantage that is operational in nature is that of the necessary investment review of the individual trust participating in the common trust fund. Obviously those trusts which are participated in full need only the most routine annual review to comply with the statutes and these are largely a matter of form. As to individual trusts that are participated only in part, you save little on the review cost.

If you have a prospective customer who has faith in your institution and accepts your explanation as to the desirability of the common trust fund, its mere existence seems to dissipate difficulties with the prospect covering your investment policy and to reduce consultation with him on investments, at best always a touchy subject as it is hard for the prospect to feel that any impersonal institution treasures his capital as dearly as he himself would.

Other self-evident operational advantages: Your statements to your beneficiaries for the fully participated trust are simplified by the fact that you present to them your printed annual report.

Your annual over-all audit and your bank examinations are simplified by the existence of the common trust fund once your auditors and bank examiners are adjusted to the existence of the fund.

The final advantage is that if your fund is properly set up you can establish your admission and withdrawal periods and your income remittance period at those times in the quarter when your trust accounting department normally faces no unusual demands—thus you even your work load.

Some CTF Disadvantages

Now turning to the disadvantages of the adoption of a common trust fund, there is no question that the mere consideration of the device is upsetting. It is new. It upsets the equilibrium of old, established patterns of investment, operation, and

bookkeeping. It requires study by all concerned and like any change will have its share of difficulties. We, of course, feel that the result is well worth the upset.

The second in some ways is the most difficult hazard one faces, which is selling the beneficiary of an existing trust because there is no point in establishing a common trust fund whatever your leagal rights may be and in the process antagonizing your beneficiaries. We found that either by correspondence or by interview we had to explain the fund to all beneficiaries concerned. In general it was willingly accepted. Only two of the approximately 60 beneficiaries approached so far are flatly opposed. We, of course, limit our participation of any trust by two considerations. First, that there should result no significant net reduction in income to the beneficiary; and second, that the trust should not pay a significant capital gains tax in order to participate. Thus some of our trusts are being participated in a step-by-step move over several years, paying nominal capital gains taxes each year. Others can never be participated in full.

In dealing with the beneficiary, first you must help him get adjusted to a regimented quarterly income remittance date which cannot easily be varied. Second, there always is the donor and/or beneficiary who has a tendency to regard his trust as a drawing account.

Cost Factors

As to the trustee, there is, of course, the expense of the common trust fund agreement which must be carefully drawn at some considerable expense by competent counsel. There is the cost of training the staff in the operation of the fund, and there is the additional work load in the transfer of the trusts from separate investments into the fund. These are all initial costs and once they are disposed of they should not plague you again.

Finally, there is the cost of the audit. It would be there anyway, but it sticks out when it is billed separately, as it is for the common trust fund. We at present absorb the cost of auditing our common trust fund, although it is feasible and within the rules of the game to charge it directly to income.

Monetary Policy

by

ÜВ

Ve,

he

ich

st-

int

ust

hts

iz-

hat

in-

ind

In

ed.

60

are

mit

by

BIS

re-

fici-

rust

ital ate.

eing

nove inal

hers

ary,

sted

e re-

sily

s is

who

rust

s, of

mon

must

ider-

nsel.

the

fund,

work

rusts

the

and

hould

f the

way,

billed

nicon

bsorb

nmon

asible

me to

KING

11.

(CONTINUED FROM PAGE 38)

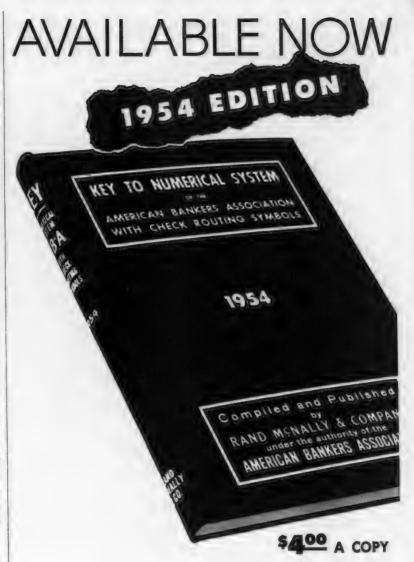
stances, the Federal Reserve acted quickly to ease credit and in turn ease the problems of reconversion which inevitably occur in the transition from a war to peace economy. As early as last June the Federal Reserve Board reduced reserve requirements of member banks substantially to make sure that there would be no bar to the proper volume of bank credit necessary to a growing peace economy. It also purchased short-term Government securities in the market on occasion in order to increase bank reserves. In February of this year the Reserve banks reduced the rate at which bankers can borrow from the Federal Reserve, and the rate is being reduced further in April. That's the rediscount rate.

Debt Management Role

Likewise, the Treasury's debt management program has been a positive factor in easing the current transition to a peace economy. Government interest rates have fallen substantially. Last July the Treasury had to pay $2\frac{1}{2}\%$ for an 8-month loan. In February it paid the same rate for a loan running almost eight years. And the Treasury's last 1-year money borrowing was at $1\frac{5}{8}\%$. Ninety-day bills which cost close to $2\frac{1}{2}\%$ last June now are down to 1%.

Moreover, as the Secretary of the Treasury pointed out to the Senate Finance Committee the other day, "In the current economic environment the Treasury has purposely done its financing in a way that would not interfere with the availability of long-term investment funds to corporations, state and local governments, and for mortgages to home owners. We want to be sure that plant and equipment, home building, and other construction all have ample available funds."

The quick action of the monetary authorities in expanding the availability of credit to offset the deflationary effect of defense cutbacks has been successful in helping to minimize the economic reaction to the reduction in Government spending. The easy availability of credit permitted excessive business inventories to be liquidated gradually, lessening the depressing effect of



A. B. A. Key Book with Check Routing Symbols is now available. It contains all annual changes in transit numbers and check routing symbols. Make sure your organization has enough copies of the latest edition for completely efficient operation. Order yours today.

PUBLISHERS
BOX 7600 CHICAGO 80, ILL.

SERVICE

IN FLORIDA

WE
HAVE
BEEN
SERVING
THE BANKING
NEEDS
OF
JACKSONVILLE
AND
FLORIDA
FOR 77 YEARS

FAST
DEPENDABLE
CLEARING FACILITIES



BARNETT

NATIONAL BANK

Cable Address: NATBANK
MEMBER FEDERAL DEPOSIT
INSURANCE CORPORATION



THE TEXAS COMPANY

——207th—— Consecutive Dividend

A regular quarterly dividend of seventy-five cents (75¢) per share on the Capital Stock of the Company has been declared this day, payable on June 10, 1954, to stockholders of record at the close of business on May 7, 1954.

The stock transfer books will remain open.

ROBERT FISHER

April 27, 1954

Treasurer

forced calling of loans. The ample credit supply enabled other economic activities, such as housing and commercial and municipal construction, to be expanded to take up part of the slack.

These moves to ease credit have been geared to the change in business activity. The stimulant has been applied as the changes took place. The purpose was to check declines. That's the purpose of a flexible money management policy—to check declines by easing credit, and to check inflation and dangerous booms by tightening credit.

In consequence, the economy today presents a notable picture of over-all sustained well-being in the face of sharp reductions in a few industries—largely those associated with the defense cutbacks or burdened by excessive inventories.

Recession and Remedies

The impact of the business setback has been, of course, severe on factory production and factory employment. Industrial production in February was down 8% from a year ago and factory employment was down 6%. But total employment in non-agricultural establishments, excluding factories, showed an actual increase over the previous year to a new all-time record for February.

Total personal income during the month of February was nearly 1% higher than a year earlier, and individuals' income after taxes showed an even larger gain in the first quarter of 1954 compared with the first quarter of 1953.

Total expenditures for new construction, aided by the ample supply of credit at low interest rates, were 1½% higher in February than a year earlier. At the present time the money supply is the highest on record for this time of year. There is no cash stringency.

The measures taken by the Federal Reserve Board to provide abundant credit at low interest rates have given assurance to the Nation that the credit authorities will turn to a policy of credit expansion whenever the economic situation requires it. There is strong evidence that this policy, with other Administration measures, has been effective in smoothing the inevitable readjustment. At least, this is the interpretation that a growing number of business observers are placing on current economic trends. The 7-

month advance in the stock market, in the face of the business downturn, to new record highs for industrial stocks, is a remarkable demonstration of investor confidence in the coming business trend.

This, then, has been the Federal Reserve Board's flexible monetary policy in action—a policy which did much to restrain over-expansion in the early part of 1953 and a policy which is currently easing our problems in the transition to a peace economy. This policy had the blessing of the Administration.

Now, I want to set the record straight on some of the specific charges which some of the Senators of the opposition have made against the Administration's monetary program.

First, they would lead you and the country to believe that the Treasury's 30-year, 3½% bond issued last spring started a recession. There is no basis whatever for associating this particular bond offering with the business downturn that began in the fall of 1953. As I pointed out earlier, interest rates on Government securities had been rising steadily for several years previous to this offering.

Cause of Downturn

The business downturn was initiated by severe cutbacks in defense orders in August 1953, which have resulted in a curtailment in factory production. The liquidation of excessive inventories, which prolonged the business decline, would undoubtedly have been a more serious depressing factor had it not been for the Administration's policy of credit restraint in early 1953.

The opposition has suggested that the business downturn could not have been caused by cuts in defense spending, since defense spending has actually been increasing. This is a complete misstatement of fact.

Government purchases of goods and services for national security have declined steadily since the peak was reached in the second quarter of 1953, when it was at an annual rate of \$53.5-billion. It dropped to a rate of \$52.1 in the third quarter of 1953, to \$50 in the fourth quarter, and on down to \$47-billion in the first quarter of this year.

This cut in national security outlays has taken \$6½-billion out of the annual national spending stream,

(CONTINUED ON PAGE 102)



THE NATIONAL UNIT POSTING PLAN produces unusual savings at the First National Bank of Loveland.



ATTRACTIVE, EFFICIENT HOME of the First National Bank in Loveland, where the National Unit Plan provides peak economy of operation.



HAROLD M. PICKLER, Pres., First National Bank, Loveland, Colorado.

"Our National Unit Posting Plan repays its cost every 18 months!"

-First National Bank, Loveland, Colorado

"Complete installation of National equipment enables us to operate at peak efficiency for the first time in our history. National machines give us speed, control, accuracy and simplicity—plus real economy of operation.

"The National Unit Posting Plan is the answer to any bank's book-keeping department control problem. It cuts cost of operation . . . requires fewer machines . . . reduces maintenance cost . . . saves stationery.

"Our three National 135 Unit Posting Machines produce amazing results. They post statement, ledger and journal all at once...all original records...eliminating carbon records and duplication of postings. "We, as bankers, are interested in returns on money invested. After detailed analysis of comparative costs, we find our installation of the National Unit Plan repays its cost every 18 months—a 67% annual return on our investment.

"Five National Bank Teller Machines pay for themselves by saving extra tellers, floor space, and stationery. They give positive control over every deposit from original entry to general ledger. We handle our customers 35% faster now than with old pen-and-ink method, also eliminate expensive pass books.

"Our National Proof Machine does the work of three people and pays for itself every year. One bookkeeper now handles five different jobs on our National Multiple-Duty Accounting Machine. National Adding Machines throughout our bank give complete satisfaction."

This evaluation could come from your bank if you were using the National Unit Plan. Call your nearby National representative today and find out how much time and money you can save. Or, write us at Dayton.



THE NATIONAL CASH REGISTER COMPANY, Dayton 9, Ohio

n al y d n y o-ee

ic rs st ohe aed re
ng
th
an
int

ily

iti-

ory esged bt-

defor

dit

hat

ave

nd-

ac-

s a

ods

rity

eak

rter

nual

l to

rter

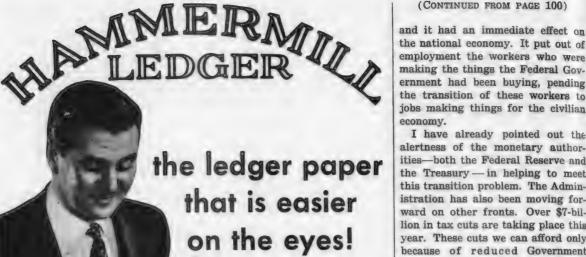
ter,

the

out-

eam,

ING



Less eyestrain means faster work, fewer errors. And the low-gloss surface and soft, restful colors of Hammermill Ledger are definitely easier on the eyes. Other advantages of Hammermill Ledger:

Better typing and writing! Pen or typewriter, entries on Hammermill Ledger are neater, more legible. And for sharp, clear bookkeepingmachine entries, choose from the special items watermarked "Posting Finish."

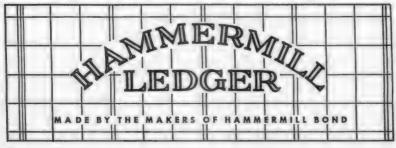
Better ruling and printing! Hammermill Ledger helps assure sharp, accurate accounting forms. Its firm, evenly formed surface prints and rules perfectly time after time.

Lasts longer! Special fiber treatment gives Hammermill Ledger added durability to stand up under repeated handling, retain its fine appearance for years.



You can obtain business printing on Hammermill papers wherever you see the Guild shield on a printer's window.

HAMMERMILL PAPER COMPANY ERIE, PENNSYLVANIA



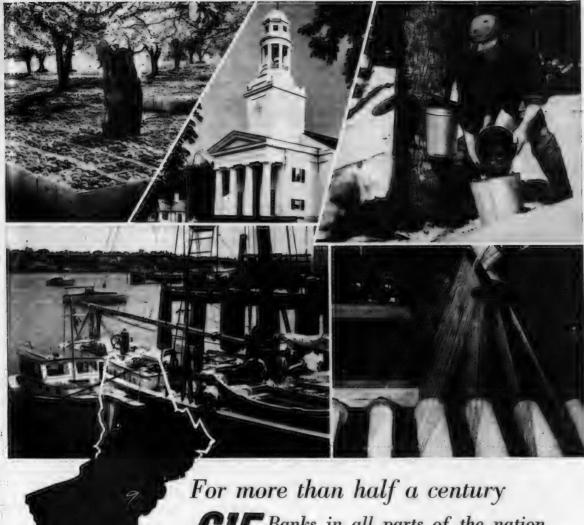
the national economy. It put out of employment the workers who were making the things the Federal Government had been buying, pending the transition of these workers to jobs making things for the civilian

I have already pointed out the alertness of the monetary authorities-both the Federal Reserve and the Treasury - in helping to meet this transition problem. The Administration has also been moving forward on other fronts. Over \$7-billion in tax cuts are taking place this year. These cuts we can afford only because of reduced Government spending. They will return huge amounts of money to the people of this country for their own spending or saving.

Positive Administration programs are now before the Congress to strengthen our economy in a variety of ways. A vital one is the tax reform program now awaiting Senate action. There are many business projects around the country which are being held up pending final decision on this revision bill. It is imperative that the earliest possible action should be taken so that business can go ahead with their plans which will result in the creation of thousands of jobs and the vital expansion of our economy.

As the gentlemen of the opposition know full well, we have had readjustments to make before as we made the changeover from a war to peace economy. There is every evidence that we can meet the current readjustment without any serious dislocation to our economy. As the Committee for Economic Development concluded in its recent national policy statement on "Defense Against Recession":

Our economy can achieve its high potential without violent fluctuations. We base our confidence upon many facts-such as the strengthening of our financial and economic structure, the longer-term perspective of business planning, the stabilizing influence of unemployment compensation and income taxation, the other powerful instruments now available and the improved understanding of their use. And most important of all, we base our confidence upon the determination of the American people to meet the chal-



Banks in all parts of the nation have been Hanover correspondents.

A New England Banker writes:

"The report sent by you yesterday regarding the _____ Corporation and Messrs. _____, and _____ is very helpful.

I want to particularly thank you for the thoroughness and the effective manner in which the information was developed and presented . . . "

A Bank Is Known By The Correspondents It Keeps

THE HANOVER BANK

Member Federal Deposit Insurance Corporation



3 n

d

S y it e f g IS 0 1e 00 y g 11. st 0. h ne

nd y. i-

ad ve

to 7int

us he

p-

al

st

gh

18-

on thnic ec-

bient

on, WO lerim-

nce the nal-

NG

Government Bonds

(CONTINUED FROM PAGE 57)

that by May 4 the longest bills were quoted at 0.73%-0.68%, while the tax anticipation bill issues (both usable for tax payments on June 15) had markets of about 0.63%-0.57%.

Strangely enough, during the period covered by the above tabulation the reporting banks increased their holdings of bills by only about \$800,000,000, in spite of the fact that they try to keep every nickel working;



MANUFACTURERS TRUST COMPANY Montague St., Brooklyn, N. Y. DeYoung, Moscowitz & Rosenberg Architects

Lighting Equipment By RAMBUSCH

The inviting appearance of this monumental bank interior was made possible by two principal changes. First of all, the ugly old screens were removed to give an unobstructed view of the interior in general as well as of the person with whom you are doing business. The other important change was the addition of 78 Rambusch Downlites of 750 watt capacity each—well concealed in the ceiling and easily serviced from the attic.

There are 50 Rambusch field representatives, and one of them is near you.

RAMBUSCH 40 West 13th Street · New York 11, N. Y.

so it is clear that corporations have had the money and are continuing to keep their excess funds at work. Furthermore, states, municipalities, and various "authorities" have sold long-term bonds for construction projects. The money received by them will go out during the period of construction. Such funds, temporarily in hand, find Treasury bills a desirable temporary investment.

Meanwhile the supply of maturities within one year has decreased. It has been estimated that by June 30 (after the \$2.5-billion of TA bills has been paid off on June 15) the supply of Government obligations maturing within one year will have declined nearly \$20-billion since January 1. To add to the shortage of supply, Government agencies seem to have paid off perhaps \$900,000,000 more than they have borrowed during recent months.

So the Open Market Committee found nothing to do with the Federal portfolio for all of April. Some people were surprised that no effort was made to supply the market with some bills, but the Federal now owns less than \$2-billion Treasury bills and probably feels that they should continue to hold at least that amount.

Market Stays Firm

Two factors were at work in the market for Government securities during April. First, in relation to their need for short-term maturities for secondary reserves, the banks found a growing shortage, as there was no let-up in the demand for such issues from other than bank purchasers. Second, the sharply lower vield available from the short-term issues, and the highly competitive situation for what loans were available, forced consideration of lengthening the maturities of the investment sector of portfolios in order to get more income.

Actually in the short-term sector, corporations were said not only to have placed time deposits in the banks, but even to have offered loans to dealers. Furthermore, the banks themselves were forced to drop the rate at which they were willing to make loans to dealers to carry short Governments. With the rate for the hire of their short-term loans dropping, they were compelled to try to offset the shrinkage in income by

getting a higher return from their longer securities.

In this connection it appears that the New York City reporting member banks set the example. During April these banks added \$173,000,000 to their Government securities with maturities of five years or more. This was on top of an increase in March of about \$400,000,000, plus their acquisition of about \$900,000,000 of the $2\frac{1}{2}\%$ of 1961. Maturities of five years or over now make up about 48% of their total Government holding, whereas in July 1953 that figure was only about 34%.

Business Loans Decline Further

For the reporting member banks, business loans declined nearly \$600,-000,000 from March 31 to April 28. Seasonably a further decline can be expected. The large flow of new corporate, municipal, and state bond issues to the market has resulted in keeping loans to dealers and others at over \$2,500,000. Real estate and consumer loans have shown little change. Certainly there is nothing in the loan figures to indicate any upturn in business volume as yet.

Outlook for Firm Market Conditions

Last month we suggested that the business outlook was the determining factor in the behavior of the Government securities market. Nothing has happened since to change that view. As far as the business outlook is concerned it is no more definite today than a month ago. More forecasters seem to expect a turn for the better but there is no agreement as to when.

Certainly there is absolutely nothing to indicate that the monetary authorities will make any change in their easy money policies for some months. Hence the continuance of the present policies practically assures the maintenance of the present market levels for Government securities. In fact some further increase in prices might even be anticipated.

June is the month when the bride who has never had a broom in her hand sweeps up the aisle.

Some persons never appeal to God unless they're getting licked.



June 1954

E

ril oh

n

s p

it

S,

8.

w

e-

rs

al

ve

re

li-

ne

he

in-

he

th-

ige

ess

ore

go.

no

th-

au-

in

of asent urie in

ride

her

God

ING

You know this For a number of years now Field Warehousing has been an established method of making inventory secured loans. Our original monthly tabulated Stock and Value Reports which popularized this type of loan by substantially reducing the bank's time and expense in controlling and appraising these items are the standard of the industry.

but did you know We have now modernized and improved these time-tested reports so that today we are again years ahead of the field. And our practice of making monthly physical inventories for our receipt-holders relieves both you and your customer of costly detail. These exclusive advantages plus experienced warehouse supervision and high limits of comprehensive liability insurance are just a few of the reasons for calling New York Terminal to review any inventory situation. A qualified representative will show you how to extend maximum credit with minimum risk at lower cost to you and your customers.



OPERATING OFFICES IN PRINCIPAL CITIES

Easy Money

(CONTINUED FROM PAGE 40)

money tends to undermine the earning capacity of banks and other financial institutions. Also, it may encourage people to use credit for purposes which are economically unsound.

At the present time, a super-easy money policy would represent in essence an attempt to inflate our way to full employment. What we should strive for is healthy, balanced growth, not repeated doses of inflation. The adoption of a policy of continuous inflation would be a serious threat to our economy.

Some people do exist, of course, who have a built-in propensity to go too far in overemphasizing the harmful effects of easy money and in underrating its benefits. That is no excuse for going overboard in the other direction by ignoring the validity and importance of the points mentioned above.

How Far Is Down?

What criteria should be employed to determine how far a policy of monetary relaxation should be carried? Ease, yes; but how fast and how far? When does "easy" become "sloppy"?

We should not seek to find a magic formula to answer these questions. There can be no single guide for monetary policy at any time. Reliance should never be placed upon any one indicator. What is needed is broad appraisal of the whole economic situation.

Last year there was considerable discussion of the idea that the money supply should expand at an annual rate equal to the average annual growth rate of the economy—somewhere around 3% per year. This concept is not entirely devoid of merit when applied to a period of full employment. At other times, however, it has little application—or none. Under present-day conditions, there appear to be no definite guideposts to monetary policy other than assuring an ample availability of credit and the avoidance of excessive ease.

The "Hard Money" Charge

The tightening of credit in 1953 was sufficiently spectacular to encourage some opponents of the Ad-

(CONTINUED ON PAGE 108)



It haunts the Banker and Borrower both -only Mortgage Insurance gets rid of it

The Borrower. How frightening for him to reflect that if he should die tomorrow, his wife might lose their home.

The Banker. How painful for him to know that he is the one who must take it away—or take a heavy loss.

Happily for both, there is a way out: MORTGAGE LIFE INSURANCE.

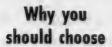
How beautifully it works! The borrower merely adds a small amount to his monthly mortgage payment. Now, should he die, his wife will inherit a deed instead of a debt.

And you, the banker, are spared the hardest decision you ever have to make. How satisfying to mark that mortgage "Paid in Full!"

You can see why so many bankers have come to look upon Mortgage Insurance as a godsend. Indeed, many take it a step further: They offer Health and Accident Insurance, too, so that even a borrower's disability cannot interrupt his mortgage payments.

For your customers' peace of mind—as for your own—there is every good reason to look into these mortgage insurance plans. And every reason to choose your plan from FEDERAL, a leader in this field for almost fifty years.

We'll be glad to send you a complete portfolio; description of plans, sample forms, customer promotions. Write for Mortgage Plan Portfolio.



FEDERAL

Mortgage Redemption Plans

Proven customer appeal. Nine out of ten borrowers having Federal Mortgage Insurance request similar protection on other loans.

Planned by bankers themselves. Federal Insurance meets the banker's exact needs—as stated by them. Planned by men with a long background in the mortgage field.

Custom designed for you. The plans Federal recommends to you are based on a careful study of your operations.

Completely flexible. Complete life protection with or without accident and health benefits. Also credit insurance for short-term loans.

Claims paid promptly. Checks usually air mailed within 24 hours of receipt of claim.

Simplified forms. Easy for your customers, easy for you. They add little or no detail to your present operations.

All promotional tools. Rate charts, plaques, posters, newspaper ads—Federal supplies everything you need.

Highest rating. Best's and Dunne's—leading policy-owners' reporting services—give Federal their unqualified recommendation.

LIFE PROTECTION DISABILITY PROTECTION

JOHN H. CARTON
President
HAROLD L. BUCK
Vice President and Manager,
Credit Insurance Division





SINCE 1906

LIFE AND CASUALTY COMPANY

Wolverine-Federal Tower • Battle Creek, Michigan

E

y 8-

y

ed n-

of

e-

m.

to

he

nd

is

ne

a-

ts

ed

of

r-

nd

ne

gic

ns.

or

li.

on led

00-

ble

ey

ual

nal

ne-

on-

rit

m-

er.

ne.

ere

sts

ag-

dit

se.

953

en-Ad-

ING



WITH
Foot Comfort
RUNNERS and MATS



Note the cutaway section above showing construction of the Hygienic FOOT COMFORT CUSHION. A tough rubber tile surface bonded to a sponge rubber base provides proper support without being "mushy." Thus, fatigue induced by standing on hard floors is eliminated — with a resulting increase in the user's efficiency.

Wherever people must work standing—at tellers' cages, counters, machines—FOOT COMFORT CUSHIONS pay for themselves by increasing the efficiency of personnel. Edges beveled for safety and appearance. Eight marbleized color combinations.

MATS: 18 x 30", 18 x 48", 24 x 36", 36 x 64" RUNNERS: TO 36" width, any length.

See your BANK OUTFITTER or OFFICE SUP-PLY DEALER, or write: FLOORING DIV., Dept. E-6 for prices and literature.

THE HYGIENIC DENTAL MFG. CO.
AKRON B. OHIO, U. S. A.

YOU Are Acquainted . . .

with BANKING but — are you familiar with BANKING'S NEWS-LETTER?

It is published the middle of every month, in six easy-to-read pages, to bring you up-to-the-minute banking and financial news, plus the opinions of experts.

Regularly, the subscription price to the banking profession is \$3.50 a year (others \$5.00)—for a five month introductory subscription send \$1.00 to

BANKING'S NEWSLETTER
12 East 36th Street — New York 16, N. Y.

(CONTINUED FROM PAGE 106) ministration to try to make "hard money" a major political issue. The monetary authorities were accused of raising interest rates and making money scarce in order to serve the interests of bankers and other lenders.

Ridiculous as these charges seem to bankers, they are widely regarded as being politically effective. In fact, these attacks are still being made in spite of the fact that interest rates have been declining precipitously for almost a year.

Only recently, indeed, there was published a whole book entitled The Hard Money Crusade which purports to expose a highly organized plot of the "moneyed interests" against the public. In the preface, the reader is assured that this is an objective, reliable, scientific research study. The two authors of this remarkable volume are not bothered in the slightest by the fact that most interest rates are now considerably lower than they were in 1952: they simply fail to mention it. Thus, by ignoring some facts and distorting others, they have conjured up a conspiracy of vast proportions - and one in which, incidentally, most bankers may be interested to learn that they have, for some time, been ringlead-

One of the authors' techniques is to imply that anyone who disagrees with their proposition that interest rates should always be low presumably must believe that rates should always be high. One would never suspect that almost all authorities are in thorough agreement that both of these extremes are wrong and that interest rates should be flexible, sometimes rising, sometimes declining

Some people wonder whether the Federal Reserve and the Treasury may have become overly sensitive to this kind of criticism. It has been suggested that this may partly explain why the Federal Reserve has moved so actively in the direction of easy money and why the Treasury has not indulged in any long-term financing since the issuance of the widely publicized $3\frac{1}{4}$ s.

Are We Going Too Far?

Has credit been easing too rapidly over the past year? And how much further, if at all, should cheapening be permitted to go?

We do not have very accurate

methods of measuring the availability of credit. Nevertheless, there is widespread agreement among competent observers that credit has now become amply available throughout all the major segments of the credit market. A Federal Reserve spokesman recently declared that the pervasiveness of ease today is "unprecedented."

In view of this and in view of the collapse of open-market rates, it is not surprising that many bankers feel that easy money has already been carried far enough, at least under present circumstances.

On this point there seems to be some misgivings with respect to the policy of the Federal. One reason may be the extent to which some Federal Reserve spokesmen seem at times to disclaim responsibility for money rates.

Also, certain monetary officials apparently feel that easy money can be a more powerful spur to business than most bankers believe. Recently, for example, one Board member spoke of easy money as a "stimulus" that can give "impetus" to the economy by "promoting" credit expansion. Most bankers would use a different emphasis.

"Error" Under Control

The Reserve authorities have stated frankly that their policy had been to err on the side of ease. They have admittedly picked the right direction for erring, if err they must, but bankers may perhaps be pardoned for wishing they did not have to err quite so vigorously. Also, some bankers find it hard to understand why the authorities should not backtrack a bit if they find they have gone too far. Moreover, some question the desirability of compounding such an error by successive reductions in the discount rate.

On the other hand, the Reserve System has not created a plethora of funds. Also, the Reserve authorities certainly must be cognizant of the dangers of overabundant money. They are inevitably concerned with the health of financial institutions. They know it is important that money should receive a living wage. They cannot abdicate all responsibility for the level of interest rates.

So, the Federal Reserve may have erred in the direction of ease, and may continue to do so, but it can assuredly be counted upon not to go to a ridiculous extreme.

J



electric typewriter The wear-and-tear you save your typists when you switch from manual typewriters to fast IBM Electrics means big dollar savings to you.

Actually, IBM's easy, fingertip touch and electric control greatly increase typing production through saving 95.4 per cent of the energy required to operate a manual typewriter. A whole hour's typing on an IBM requires less energy than 3 minutes on a manual!*

Add to this the benefits of finer-looking work, better morale among your staff, greater prestige among your customers, and it's easy to see why business firms have bought more than 3 times as many IBM's as all other models of electric typewriters combined!

For full information, write Dept. BN-1, International Business Machines, 590 Madison Ave., New York 22, N. Y.

*By actual mechanical measurements, of inch ounces of energy for key, space bar and carriage return operations.

ilis m-OW ut dit esereche is ers dy ıst be he on me at

for

apan ess ly, oer ıs" he xa

ive ad iey diıst, ar-

ive me nd ckive esing ue-

rve

ora

riof

ey.

ith

ns.

hat

ge.

ısi-

es.

ave

and

can

go

NG

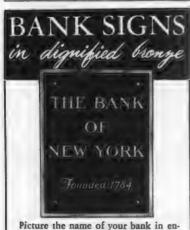


In addition to providing the perfect haison system for mortgagee-dealer relations. Foremost Insurance Company—specialists in mobile home insurance—provides a Vendors' Single Interest plan protecting your interest in the chattel every minute there is an unpaid balance

Contact your Foremost agent today for full details, or write, wire or phone:



Federal Square Building . Grand Rapids 2, Mich.



Picture the name of your bank in enduring bronze and aluminum . . . the names of your personnel in handsome desk plates of the same dignified metal.

Let us show you how we can give you the very finest signs, desk plates and bulletin boards to suit your every need . . . at most economical prices. Send for free illustrated catalog

> FRANK J. BRADFORD VICE PRESIDENT

DESK NAMEPLATES
2"x10" one line of copy \$7.50
21/2"x10" two lines of copy \$9.00
on bronze easel—other styles available

"Bronze Tablet Headquarters"
UNITED STATES BRONZE SIGN CO., Inc.
570 Broadway Dept. B New York 12, N. Y.

State Bank Resources' New High

NOTAL resources of all state-char-Total resources of the high levels, aggregating \$110,488,090,000, an increase of \$4,410,789,000 or 4.2% during 1953, according to the annual studies of the assets and liabilities and of earnings and expenses of state banks which have just been completed by the State Bank Research Committee of the State Bank Division of the American Bankers Association. Time deposits of individuals, partnerships, and corporations increased \$3,069,130,000 or 7.6% during the year and represented 43.1% of all state bank de-

There are two studies in the publication, "Condition and Operation of State Banks in 1953," issued by the A.B.A. State Bank Division, to give aggregate figures for the nation's state-supervised banks as of the close of business on December 31, 1953. One is the 23d annual study of assets and liabilities, and the second is the 20th annual study of earnings and expenses. The first study covers 9,588 state banks, including both mutual savings and commercial banks. The report on earnings and expenses covers 9.034 commercial banks, including loan and trust companies, stock savings banks, and private banks. The complete report has been sent to all members of the State Bank Division.

According to the assets and liabilities report, "at the end of 1953, total deposits of all state-supervised banks reached an all-time high, totaling \$100,255,115,000, an increase of \$3,823,808,000 or 4%. Of this amount, \$75,859,523,000 was held by state commercial banks, and \$24,395,592,000 was held by mutual savings banks.

"Demand deposits on December 31, 1953, amounted to \$43,458,605,000, which was an increase of \$315,211,000 or 0.7% over 1952. This item represented 43.3% of all deposits.

"Time deposits of individuals, partnerships, and corporations amounted to \$43,233,483,000, an increase of \$3,069,130,000 or 7.6%. This item represented 43.1% of all deposits.

"Other deposits aggregated \$13,-

563,027,000, an increase of \$439,467,000 or 3.3% over 1952."

ins

ter

fre

co

ha

th

bl

de

EES

lie

th

al

H)

si

be

W

CE

in

pe

al

al

0

h

p

2

n

a

The earnings and expenses study, covering 9,034 state commercial banks shows operating earnings amounted to "\$2,480,358,000, an increase of \$233,120,000 or 10.4%. Profits before income taxes increased \$58,720,000 or 7.9%, to a total of \$797,469,000.

"Service charges continue to be an important source of income. During 1953, earnings from service charges aggregated \$201,431,000, an increase of \$21,171,000 or 11.7%. This item amounted to 8.1% of total current earnings.

"Total current operating expenses in 1953 increased \$157,552,000 or 11.1%, to a total of \$1,572,844,000. Salaries, wages, and fees in all states amounted to \$794,482,000, an increase of \$73,767,000 or 10.2%. The percentage of salaries, wages, and fees to total current operating expenses was 50.5%.

"Of the total net profits for state banks after taxes, 44.2% was paid out for dividends; and the balance or 55.8% was added to the capital account. This continues to show that the banks are building up their capital account and reserves to help strengthen their institutions and further protect their depositors.

"The average cash dividends declared on common and preferred stock in 1953 amounted to \$3 per \$100 of total capital funds, the same as paid at the end of 1952."

Members of the Committee

Members of the State Bank Research Committee of the State Bank Division are: A. K. Davis, senior vice-president, Wachovia Bank and Trust Co., Winston-Salem, N. C., chairman; Horace P. Bromfield, vicepresident, Corn Exchange Bank Trust Co., New York; C. Herbert Cornell, president, Fidelity State Bank, Minneapolis; Henry R. Hurren, vice-president and cashier, Cache Valley Banking Co., Logan, Utah; Fred Marin, president, Bank of Lansing, Michigan; and Leo W. Seal, president, Hancock Bank, Bay St. Louis, Miss.

Operating Procedures

(CONTINUED FROM PAGE 47)

whether the risk may be assumed or insured and, if insured, to what amount.

7,-

dy,

ial

128

in-

%

sed

of

an

ing

zes

ase

em

ent

ses

OF

00.

tes

in-

Che

and

ex-

ate

aid

nce

ital

10/28

eir

lelp

and

de-

red

per

me

Re-

ank

nior

and

C.,

ice-

nk

bert

tate

ren.

che

ah;

of

seal,

St.

ING

This procedure will to a great extent do away with the exclamation frequently heard following a loss: "Why didn't someone tell us this could happen?" or "Why didn't we have insurance against this?"

Too often banks pay premiums for one relatively unimportant hazard and fail to protect themselves properly against substantial loss.

How About These Risks?

Undoubtedly, many banks carry plate glass insurance even though the total possible loss would probably aggregate only several hundred dollars. On the other hand, many may have completely inadequate public liability insurance limits although the risk of loss from that hazard is almost unlimited. Also many banks undoubtedly have not given any consideration to automobile insurance because the bank does not own an automobile, although there are times when the personnel use their own cars on bank business, thus exposing the employer to a substantial potential liability.

How many banks spend considerable time in supervising fire insurance payable to them as mortgagees on widely separated one - family houses, but have failed to secure premium rate quotations from their agents for increased coverage in connection with their safe deposit operations where the loss potential is a completely unknown quantity?

Many banks still send non-negotiable securities by registered mail insured for only a percentage of their market value without fully appreciating the limited protection that is afforded by such a procedure.

The expansion of mortgage lending activities has resulted in banks using the facilities of mortgage servicing agents. If your bank is one of these, how far have you gone towards investigating the availability of insurance to protect against the loss of your funds while in the hands of such agents?

Banks doing a trust business frequently allow themselves to be subjected to the wishes of a co-fiduciary as to the kinds and amounts of insurance that should be maintained

on trust properties. If your bank follows this procedure, has any one considered the potential liability of the bank if the co-fiduciaries' recommendations are woefully inadequate if loss occurs?

Practically every bank sends employees outside the premises on bank business. Have you ever considered the problem created if the employee becomes involved in an accident (other than automobile) and both he and the bank are sued, since the standard liability policy does not cover liability on employees?

Trust Department Auditing

HIGHLIGHTS of a continuous or spot-check auditing program to be applied to trust activities were offered by Stanley E. Shirk, partner in Peat, Marwick, Mitchell & Co., of New York. Here are his pointers:

Assets

- Account for numerical sequence of auditor's copy of deposit and withdrawal tickets and temporary withdrawal tickets.
- (2) Examine these tickets for signatures of authorizing officer and the two individuals effecting the deposit or release of the assets in the vault.
- (3) Check purchases and sales of securities and other trust assets by reference to trust committee minutes, brokers' advices, approval of cotrustee where required, and to the entries in the accounting records. Check distributions in kind by reference to the docket sheet or trust instruments.
- (4) Check prices on brokers' advices by reference to market quotations.
- (5) Obtain statement of transactions from brokers with whom trust department does business and trace transactions shown thereon to brokers' advices.
- (6) By utilizing temporary withdrawal tickets and subsequent notification of redeposit, maintain a continuous record of assets temporarily withdrawn from the vault. Review file of open tickets periodically and investigate items outstanding for an unreasonable period.

Trust Income

(1) Examine cash tickets for proper approval and by reference to security records and financial ser-

vices, ascertain that dividend and bond income has been received and credited to the proper accounts. When no dividends have been received, the auditor should check to the financial services to determine the actual date of last dividend payment.

- (2) If anticipation method for control of income is used, prepare trial balance of open items comprising the balance in the receivable account and ascertain that steps have been taken to effect collection of items outstanding for an unreasonable period.
- (3) Check mortgage bills for accuracy and mail directly to mortgagers. Check mortgage payments recorded on mortgage cards to principal and income ledger entries.
- (4) Review miscellaneous assets records and ascertain that income has been received when due and properly recorded.

Disbursements

- (1) Arrange to receive bank statements and canceled checks directly from the banking department or other depositaries. Reconcile bank account and trace disposition of outstanding items. Account for numerical sequence of all checks.
- (2) Examine cash tickets and vouch disbursements by reference to properly approved supporting data.
- (3) Review proof tapes of cash ledgers, determine propriety of overdrafts or advances, and that they are properly authorized and have been reported to the designated trust officer.

Fees

- (1) Determine that fees are charged when due.
- (2) Check fee computations and ascertain that fees have been properly recorded. (If spot-checks are made, an investigation of large variances with the amounts previously collected should be made.)

General

- Examine general ledger tickets or trust blotters or journals for proper approval and trace to general ledger.
- (2) Review trust register, noting new accounts and accounts closed since last review. Ascertain that the auditor was present when all assets were received at the inception of the new account, and by reference

to his copy of the inventory, properly recorded. On closed accounts ascertain that assets have been distributed in accordance with the terms of the governing instrument and that releases and receipts are on file.

(3) Prepare proofs of asset control records, principal and income ledgers and other general ledger subsidiary records, and reconcile totals so obtained with general ledger control figures.

Controlling Fraud Exposures

THE A.B.A. INSTALMENT CREDIT COMMISSION'S new study, "Operating Controls for Bank Instalment Credit," suggests 23 safeguards against the fraud losses that were listed in this department of BANKING last month. Recommending "an alert audit program and an efficient operating procedure" as means of forestalling losses, the study says

that preventive measures should include the following basic practices:

(2) Employees should be transferred occasionally to different assignments. Absolute division of responsibility should be insisted upon, and no overlapping of duties permitted.

(3) Dual control and adequate vault records should be maintained for collateral securities, notes, mortgages, and other instruments of indebtedness. This will insure verification of filing all items and the disposition of items withdrawn.

to d

desl

Mo

eno

give

Yo

ea

le

111

SU

CO

m

bı

(4) Unissued official checks should be maintained under dual control and only the number needed as a working supply should be released. The working supply should be checked frequently by the audit division to account for numerical sequence of checks on hand against last check issued.

(5) Interviewers should ascertain positive identification of all borrowers. Whenever possible interviewer should have all papers signed in his presence. On direct auto loans, fraud has been frequently perpetrated by applicants using fictitious names and offering identification with forged passenger vehicle registration certificates. While a car registration is usually a good identification, it must not be relied on entirely as it is one of the media most often used by swindlers. In the larger communities the importance of positive identification is paramount. Credit investigations

(CONTINUED ON PAGE 114)

"The 20 years we've been married you've raved over bills. I should think you'd learn to live with them"



NEW... A PAYMENT COUPON BOOK

which reproduces

Perforations as Legible as Printing

- More error-free postings per hour. Less eye-strain per day.
- Perfect identification of mail payments. Faster personal service.
- More exact payments. Less followup costs and annoyances.
- Applicable to any account set-up.
 No supply problem. Less costs.

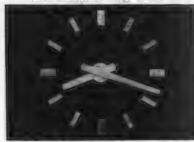
5/16" figures so outstanding that they are easily read at 14 feet.



Many of the best known Banking Names in the Time Credit Field have adopted this ultra-modern Payment Book on sight. Only by seeing this new book can you appreciate its legibility, flexibility and waste-reducing features. We invite you to write for an assortment of samples, perforated with amounts, dates and account classifications. No cost. No obligation. Write today.

ALLISON COUPON COMPANY, INC.

STRIKING



CLOCKWORK

A real landmark for your office—that's the Lifetimer window clock. Seen through plate glass (above), it is light and easily installed, trouble-free. Standard 24" model with block numerals, \$100. Special models, e.g., spelling out "First Savings," \$125, postpaid, plus tox. WRITE TO:

Lifetimer
Hoop-type Window Clock Co.

P. O. Box 113 Haddam, Conn.



WHY PASS UP EXTRA COMMISSIONS?

teading passbook manufacturer room has exercit retritories agent for aggressive men talling on banks to sell all types of assbooks and packet check covers. Commission basis:

WILLIAM EXLINE INC.

n-

s:

ns

18-

e-

n,

er-

ite ed

nt.

n.

ri-

he

k8

al

ed

ıld dit

se.

ıst

all

in-

ers

ect

re-

nta

ng

zar

es.

lly

be

he

in-

he

on

ne

ink

BETTER BUSINESS METHODS

For Greater Profits Through Lower Costs

PORTABLE CAMERA FOR MICROFILMING ANNOUNCED

Now You can carry your microfilm camera to field locations ... quickly move it from department to department ... set it up on a table, desk, or typewriter stand. The new Model 8 Film-a-record is small enough to carry, yet engineered to give highest quality, big-machine performance.



You get a reduction ratio of 25 to 1 and crystal-clear, sharp images without blurring or distortion. A 40 to 1 lens is also available, if desired. You can film records up to 12" wide ... use either the full 16mm width, or put records in two rows of 8mm each. The camera is loaded in daylight with standard 200-foot film lengths. Other big-machine features, like the warning signals, visible film supply indicator and Color-Stat (to control amount of light needed), make the Model 8 an outstanding buy. Circle F382 for more details.

How mechanization pays off on loan and trust account records

You can cut clerical costs, improve control and speed auditing by proper mechanization of your accounting.

A wealth of information about efficient loan and discount procedures is now available in a 25-page report. It includes a clear explanation of how the Remington Rand accounting machine delivers a complete ledger, journal and notice of note due, plus carbons in one writing. There are several plans outlined from which you can choose.

Get this report for 10 day's study by circling MC797 on the coupon. Also circle MC801 for information on how mechanization reduces trust department costs, often turning loss into profit.



ADDING MACHINES SAVE TIME— CUT COSTS ON EVERY BANKING JOB

POR LISTING DEPOSIT SLIPS, checks, or whatever the need, there's a Remington Rand adding machine for the job. And no matter which

machine you select, you'll get top performance and economy. The simple 10-key keyboard makes possible easy and accurate touch-method operation. It cuts training time saves time and motion, and reduces errors, too!

Figures are entered as they are read-without reference to column position. Refiguring for accuracy can be eliminated—the printed tape is visible proof that the problem was entered correctly the first time ... and it provides a permanent record for file and ready reference. Direct subtraction is fast and easy-and instantly identified on the tape with a minus symbol. Multiplication is handled with a touch of the cipher bar. There are many extra features available, such as an automatic credit balance total and special wide carriage for listing directly on your own forms. The selection of capacities ranges from 7 to 13 columns.

Users report that Remington Rand adding machines pay for themselves in clerical savings alone within two or three years! And there is a complete line available for fast, accurate figure work at low cost. All models feature 10-key touch-method operation; clear, readable printed tape; quiet operation assured by steel shock absorbers. There are three hand-operated models, each designed for a specific work load. The all-electric adding machine is the fastest answer to many figuring and listing problems. To learn how they would figure in your bank, call your local representative. Or get all the machine details by circling AD567 and C409 on the coupon.

NEW POINT-OF-USE FIRE PROTECTION FOR ALL SAVINGS RECORDS

If you operate a savings department, here is an item of special interest to you. Remington Rand now has available a new Safe-Ledger Desk that houses signature cards as well as ledgers. Its compact size saves floor space and permits convenient placement as needed behind savings tellers. Certified two-hour protection assures around-the-clock safety for your vital records. The counterbalanced cover can be closed instantly in case of a daytime flash fire. For maximum fire protection, a full depth 4-hour Savings Ledger Desk-Safe is also available.

These new units supplement our complete line of point-of-use protection equipment which can be adapted to any volume of savings records in any desired motion-saving arrangement. For details, circle SC744.

Remington Rand

F382 SC744	MC797 MC801	AD567 C409
Name		
Tisle		
Title Bank Address		

(CONTINUED FROM PAGE 112) should be thorough and complete. It is advisable to rotate the routine of employees within the investigation and credit sections.

(6) Interviewers and investigators should not be permitted to accept loan payments and/or accept and issue receipts for collateral. This function should be limited strictly to the tellers' division.

(7) The proceeds of all direct loans should be disbursed by official check, and should be handed to the borrower, mailed to his home, or

credited to his account with the bank. This applies also to rebates of unearned discount.

(8) All mail addressed to borrower should include this notice on the envelopes: "If unclaimed at this address, return to sender. DO NOT FORWARD." Such return mail should arouse suspicion immediately and should be handed to the auditor.

(9) All first payment delinquencies should be investigated directly with borrower or purchaser. A thorough understanding at this time will avert later collection problems. (10) Adequate control and check on late payment charges should be set up. A hit and miss procedure lends itself to petty fraud.

ma

du

re

sic

As

ste

WI

se

ba

tr

ve

ch

to

re

fk

sk

th

posi

th

tl

Si

d

I

(11) Notes and other evidences of indebtedness should be examined daily to make certain that they are properly drawn, dated, and signed, and that no erasures or alterations are in evidence. The officer's approval signature should appear on the note or application form, and the collateral description, if any, should be checked. The auditor or other independent authorized person should also initial every note examined to prevent substitution and to indicate review.

(12) Calculation of discount and other charges should be verified.

(13) Disposition of proceeds should be verified. Generally the audit division obtains a copy of the disbursement ticket which serves as a verification when check is paid. Endorsements can be checked with original obligations.

(14) Trial balances should be taken of loan ledger cards at least monthly by the instalment credit department, and also be taken under audit supervision at least yearly. It is also advisable to compare notes and ledger cards on a minimum of 10% of the accounts at least twice a year.

Watch Collection Procedures

(15) Collection policies should be checked to determine whether the mechanics of collection are being followed and whether they are adequate.

(16) Periodically, the audit division either should make a list of past due accounts or should verify a list taken by the department's accounting division. All accounts should be closely reviewed to ascertain whether adequate collection effort is in evidence.

(17) A direct verification program should be adopted by which the unpaid balance of current and past due accounts and date of last payment are verified through direct correspondence with the borrower or purchaser at least once during the life of the loan.

(18) On paper purchased from dealers, the audit division should conduct a spot check verification of at least one out of five contracts direct with purchaser to verify amount due, date of last payment, security, equity payments, and terms. In a

WHETHER YOU'RE A CORRESPONDENT BANK OR NOT:

Give Us A Job To Do

Send us your toughest problem . . .

Phone LAfayette 3-6800, ask for Correspondent
Banking Service and get action—fast!

The National Shawmut Bank

40 Water Street, Boston

Member Federal Deposit Insurance Corporation

He's Protected — Naturally



Mr. Duck's umbrella is built in — no chance of it poking his neighbor in the eye. But your clients and their families need L & L's comprehensive liability coverage, not just when they carry umbrellas, but every day of their modern, busy lives.



THE London & Lancashire GROUP

THE LONDON A LANCASHIRE INSURANCE COMPANY, LTD. © ORIENT INSURANCE COMPANY O LAW UNION A ROOK INSURANCE COMPANY, LTD. © SAFEGUARD INSURANCE COMPANY OF NEW YORK © STANDARD MARINE INSURANCE COMPANY, LTD. (Tire Department) © LONDON & LANCASHIRE INDEMNITY COMPANY OF AMERICA

very large operation where a dealer maintains a good cash balance and net worth, verification can be conducted to a lesser degree.

ck

re

es

ed

re

ed,

he

uld

in-

uld

to

ate

and

eds

the

as

aid.

rith

be

east

edit

der

. It

otes of of

wice

d be

the

eing

ade-

divi-

t of

rify

ac-

ints

as-

ction

pro-

hich

and

last

irect ower

iring

from ould

n of s di-

ount

rity, In a

KING

(19) When purchasing paper from dealers, there is the exposure of misrepresentation by salesmen, especially those depending on commissions and volume bonus incentives. As a protection against this, many stores verify details of the sale by writing direct to the purchaser. Possession of the confirmed facts by the bank before purchase of the contract is an ideal arrangement to prevent fraud, verify signatures, and check on dealer warranties.

(20) A physical check of inventory should be made against trust receipts or other instruments when floor planning is involved. should be done at least monthly and the checkers should be rotated if possible. A wholesale checking form showing partial serial numbers with the remaining numbers supplied on the form at the time of checking provides a reasonable control but is not foolproof. When merchandise has been sold out of trust, an immediate report should be made to the auditor and appropriate action taken. This is one avenue in which sizable losses can result.

(21) Periodically, the audit department should verify dealers' reserve accounts directly with the

(22) The source of funds and the method of making customer payments should be watched carefully. Indirect collections through dealers should be discouraged.

(23) Watch for and investigate dealer checks returned for not sufficient funds. This generally is the danger signal that the dealer is in weak financial condition.

"Confidentially, Clifton, these courses you've been taking to improve your personality have made you too enthusiastic"



Employee Awards

A m employee awards program has been started at the HOLLYWOOD (Calif.) STATE BANK. Prizes will be given to staffers for these achievements in 1954:

Best attendance, best suggestion length of service, new business (in dollars), new accounts, increase of existing accounts.

Awards will be made at an annual dinner. At the first of these events. held this spring, gifts were presented for length of service.

In Brief

UNION NATIONAL BANK AND TRUST COMPANY of Elgin, Ill., is charging 10 cents for all money orders it issues.

The charge was formerly based on the amount.

THE FIRST NATIONAL BANK OF BOSTON has introduced "First-Chex," new punched card checks, electronically controlled.

The service is on a pay-as-you-go

Ledger Files







by Watson ...

These vertical units offer ideal upright filing for 81/2" by 11" ledger sheets. All include usual Watson high quality with full ball-bearing suspension, side-locking compressors, rods and thumb latches. Outside depth of all units: 281/2". Outside height of 2 drawer unit: 303/8"; 3 drawer unit: 517/8". 4 drawer unit: 571/2". Available with or without lock.

Other sizes available. Write Dept. H-6.



WATSON MANUFACTURING CO., Inc.

Jamestown, New York

WATSON ALSO BUILDS A COMPLETE LINE OF STANDARD FILING CABINETS AND ROL-DEX ROLLING RECORD UNITS



FOREIGN

You may open commercial letters of credit for your customers through Public National, transmit funds to all parts of the world, and buy and sell foreign exchange and foreign currency. We also will handle your foreign collections and furnish up-to-date information on trade possibilities and current conditions of foreign markets.



WANTED

for Murder...

CANCER is the cruelest enemy of all. No other disease brings so much suffering to Americans of all ages.

yet—though 23 million living Americans will die of cancer, at present rates—there is reason for hope. Thousands are being cured, who once would have been hopeless cases. Thousands more can have their suffering eased, their lives prolonged. And every day, we come closer to the final goal of cancer research: a sure and certain cure for all cancer.

THESE THINGS have all been helped by your donations to the American Cancer Society. This year, please be especially generous!

Cancer
MAN'S CRUELEST ENEMY
Strike back—Give
AMERICAN CANCER SOCIETY

Public Relations

(CONTINUED FROM PAGE 50)

crowds to the main office of Mellon National Bank and Trust Com-Pany, Pittsburgh, on a rainy Friday evening.

It was a "come-see" program—and nearly 5,500 people did. Visitors included officers of the bank, families and friends of the staff, and they saw the inside workings of the bank, as presented by the employees. Each department prepared a display illustrating its function.

Prizes were offered for the best demonstrations which covered everything from the use of electronic machines to the 806 tons of coin which Mellon handled last year in providing change to the city's businesses.

Progress

THE story of the agricultural and industrial development of the Carolinas and the Southeast is told in a brochure published by the Wachovia Bank and Trust Company of Winston-Salem, N. C.

The 32-page booklet, "75 Years of Progress with the Southeast," is issued as a special 75th anniversary issue of the bank's house magazine, The Wachovia. It's in two colors and extensively illustrated. There are sections on agriculture, business and industry in the cities where Wachovia has offices.

A Cooperative Promotion

THIRTY-FIVE banks in Bergen County, N. J., jointly sponsored a booth at a house, garden, and hobby show in Teaneck. Financing for home repairs and improvements, as well as more than a dozen other services, were promoted.

Advance publicity included a kit of material for community use by the cooperating banks: lobby pos-

ter, newspaper ad, statement insert, and publicity release for the newspapers.

Features at the booth included a contest for guessing the amount of money in a glass house (10,000 entries) and a chance to "learn your weight in gold," which attracted 5,000.

Only two handouts were distributed: a special folder "For Better Living, Use Your Bergen County Banks," and an envelope labeled "Compliments of the Banks of Bergen County" for carrying home show literature.

Bankers Serve . . . and Give

WHAT is a bank?" asks the SPRINGFIELD (Massachusetts) NATIONAL at the end of its annual report. "Any modern bank," it answers, "is a living, breathing organization... composed of friendly people who work long hours before and after the bank's doors open and close in order to faithfully serve the financial needs of the people within a community. Not only does it serve, but it also gives generously.

"Here, at Springfield National Bank, we believe in giving to the community services which, in turn, bring material comfort and other benefits to the welfare of many people in the Greater Springfield area."

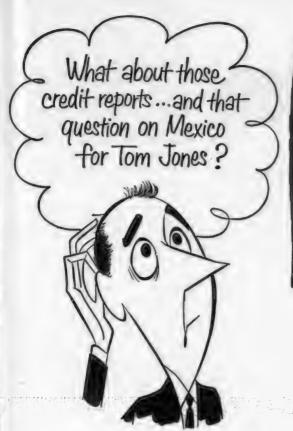
There follows a list of some of the community, development, cultural and social welfare organizations to which the bank and its staff make "substantial financial contributions." The list is illustrated with snapshots of the organizations' activities.

Displays and Exhibits

CHECKS and drafts signed by 29
Presidents of the United States
(CONTINUED ON PAGE 118)



The glass house contest at the New Jersey banks' home - garden hobby show booth was a leading attraction. It drew about 10,000 entries



ed

b-

ty

ed er-

ve he 11its ng ndbeoen illy the Not ves nal the rn, her any ield

of

cul-

izaits

cial

lus-

ani-

29

ates

nks' en ooth

g atdrew

CING



Your man at the Irving is like a member of your own staff...call on him just as freely.

Have you ever hesitated to call for assistance—assuming that your request might be considered too demanding or even too trivial? Please remember that your man at the Irving won't feel that way at all.

His job is clearly defined—to see that you get all the service we can provide,

no matter what the nature of your problem may be. Besides his own capacities to serve—he has direct access to specialists in all fields of commercial banking plus, of course, the world-wide facilities of the Irving.

Would you like to learn more about how you can broaden your service to your customers by making Irving Trust Company your New York correspondent? We'll be glad to talk to you any time you say.

IRVING TRUST COMPANY

ONE WALL STREET

NEW YORK 15, N. Y.

Capital Funds over \$123, 000,000

Total Resources over \$1,400,000,000

WILLIAM N. ENSTROM, Chairman of the Board

RICHARD H. WEST, President

Domestic Banking Division, Nolan Harrigan, Senior Vice President in Charge



Australia's Continuing Development

Industrial.. Commercial and Financial Information

Designed to provide factual information for businessmen this new booklet is now available on request.

111 pages packed with carefully selected facts, graphs, maps, and illustrations, describe the Australian scene, the people, primary and manufacturing industry, power resources, trade, transport and communications, private and public finance, and the social pattern.



AUSTRALIA AND NEW ZEALAND BANK LIMITED

in which are merged

BANK OF AUSTRALASIA UNION BANK OF AUSTRALIA LTD. (Established 1835)

Overseas Department: 394 COLLINS STREET, MELBOURNE

Over 750 Branches and Agencies throughout Australia and New Zealand, In Fiji and Papua, and In London.

FOR THAT IMPORTANT

all-purpose paper

BETWEEN THE LINES

letterheads and

IMPRESSION

LY Of rag content

HAVE YOUR LETTERHEADS

INGLY LOW IN COST

PRINTED ON

Weston Band is a fine rag content paper that instantly identifies you with quality and character. It's surprisingly low in cost—ideal for business forms, too. Your printer will vouch for it.

BYRON WESTON COMPANY DALTON, MASSACHUSETTS

Write for Sample Book. Address Dept. BA

Makers of Papers for Business Records Since 1863

(CONTINUED FROM PAGE 116) were displayed at a branch of BANKERS TRUST COMPANY, New York.

FIRST AMERICAN NATIONAL BANK of Nashville cosponsored with the Watkins Institute art department a Tennessee all-state artists exhibition. Awards were furnished by the bank. Works receiving prizes became the property of the institute and the bank as a beginning of a Tennessee art collection. They were also shown in the bank's lobby.

The HARTFORD (Conn.) NATIONAL BANK AND TRUST COMPANY presented a lobby exhibit, "The Road to Mental Health," in cooperation with the Institute of Living. Problems of mental illness and the techniques for solving them were shown graphically.

Anniversary Activities

THE PEOPLES NATIONAL BANK of Barre, Vt., marks its 50th anniversary by publishing a "Souvenir Bank Book" that tells, in picture and text, the story of the city and the bank. The narrative, of course, does not overlook the fact that Barre is "the granite center of the world" and that the bank handles commercial accounts of many of the granite firms. The book was written by Charles E. Crane.

The CHICOPEE (Mass.) SAVINGS BANK held its 100th anniversary dinner right in the lobby where the diners—trustees, staff, and guests

Erie County (N. Y.) American Legion awards citation to Marine Trust Company of Western New York for public service in sponsoring "I Led 3 Lives" on TV, L. to r., M. S. Levy, chairman of Legion's Anti-Subversive Committee; Commander S. A. Carroll; Charles H. Diefendorf, president, and George J. Enser, vice-president and advertising director of the bank





of

We

NK he

a

bi-

he

)e-

ite

a

re

AL

re-

ad

on

b-

h-

wn

of

ni-

nir

IFE

nd

se, d" erite by

IGS

he

on

lic s"

NG

American Security and Trust Company receives an award from the Washington, D. C., Board of Trade's American Ideals Committee for outstanding newspaper campaign promoting and stressing American ideals. L. to r., Vice-president Frank M. Perley; Brig. Gen. Bonner Fellers, U. S. A., ret.; and Ed Place, committee chairman

—could be seen by passers-by. The cover of the bank's centennial souvenir booklet is decorated with a made-in-Mexico bird (real feathers.)

AMERICAN TRUST COMPANY of South Bend, Indiana, in a full newspaper ad on its 50th anniversary, mentioned what was happening locally and nationally in 1904.

Other Activities

FIRST NATIONAL BANK of Port Angeles, Washington, uses cartoons from BANKING in a house organ it prepares for its four affiliated banks.

SOCIETY FOR SAVINGS of Hartford, Conn., is making a yearly feature of a quartet that sings hymns in the lobby for a half hour daily during Holy Week.

The Gramatan National Bank & Trust Company of Bronxville, N. Y., devoted a recent issue of its publication, *Gramatan News*, to the Lawrence Hospital which is conducting a mortgage-reducing campaign.

A reporter for the Nashville Tennesseean wrote a feature story on special services performed by the local banks.

The Georgia Bankers Association, at its 1954 convention in Atlanta, passed a resolution recommending that the officers "give study and consideration to the matter of providing appropriate elementary textbooks on the subject of banking, for use in the high schools of this state."



Fulton National Bank of Atlanta used this letter as a progress report on its new 25-story building. Signed by President Erle Cocke, the letter featured a cartoon-style peckerwood, with yellow bill. Two communications were distributed: one to people working in a four-block radius, apologizing for the noise; the other to correspondent banks, stockholders and friends



BANKERS BLANKET BONDS

require a particular "Know-How"

For years, leading financial institutions have found the answers to their insurance requirements in the specialized services furnished by

NATIONAL SURETY C O R P O R A T I O N

one of America's Foremost surety companies

This symbol on your bond or policy guarantees satisfaction.

Washington

(CONTINUED FROM PAGE 44)

maintenance of confidence in our entire banking system is well worthy of note," Mr. Cook told the Independent Bankers association. He acknowledged that if the loss experience of the past few years was maintained, the fund would continue to grow without assessments.

However, "if the sole support of deposit insurance came indirectly from the general funds of the Federal Government in the form of interest on the investment, critics could charge that banks had become passive beneficiaries of public subsidy."

He asserted that "it should be noted that the Congress recognized two important principles: the principle of bank payments for deposit insurance protection, and the necessity for growth in the fund."

SBA Business Rising

Business is increasing at the Small Business Administration, the agency set up to provide loans for small business borrowers when both the Reconstruction Finance Corporation and the Smaller War Plants Corporation went into liquidation.

Congress initially gave SBA \$55,000,000 for its loan revolving fund. Of this, \$5,000,000 was tentatively reserved for disaster loans, another

SBA function. When SBA figured that the way its applications for loans were increasing, the initial \$50,000,000 for small business loans would be obligated by this fall, the President approved a request for the additional \$50,000,000.

Through the end of April SBA approved approximately \$15,700,000 in loans for 260 borrowers, an average of about \$60,000 per loan, versus a maximum disbursement per loan permitted under the law of \$150,000 in Federal funds. Two-thirds of the approvals, or \$10,540,000, were in the form of participation loans.

Treasury Financing Avoids "Rocking the Boat"

For the time being it is reasonable to expect that the Treasury will subordinate its goal of lengthening out the debt to the objective of avoiding "rocking the boat," meaning the business picture.

To roll over the \$4.8-billion of maturing 25% June 1 certificates, the Treasury offered a 1-year, 11/8% certificate. This same certificate absorbed some \$2.4-billion of bonds maturing or called for June, this being the total of such issues not exchanged last February out of \$8-billion

In order to raise \$2-billion of new money, the Treasury sold a 1% note with a maturity of 4 years and 9 months. This issue was pitched

mainly at commercial bank sales.
This financing indicates two-classes of abatement of Treasury policy.

With respect to rates, the maturing June 1 certificate carried $2\frac{5}{8}\%$, the highest since the era of pegged rates came to an end. The offering of $1\frac{1}{8}\%$ certificates carries the rate for such an issue back to the level of 1949. The $1\frac{1}{8}\%$ note was the lowest since October 1, 1951, when a 5-year note for $2\frac{1}{2}\%$ was issued.

Second, in view of the liquidation of bank credit, it was thought by some fiscal observers that a long-term issue could have been used to raise the \$2-billion of new money the Treasury needed to finish out the present fiscal year.

The Treasury, however, decided instead in favor of a near 5-year note, a "neutral" issue monetarily, in order not to upset large offerings of municipals and corporate issues, or the easing mortgage market. The 4-year, 9-month note is called "neutral" in the further sense that if it has followed the practice of past years, the Treasury might have offered only a 1-year issue.

Avoids Long-Term Issue

Nevertheless, the Treasury is avoiding long-term issues, it is believed, until there is a secure feeling that the present adjustment period in business will not be hampered by competition of the Treasury for long-term money.

The Treasury will need to take a fresh look at its monetary policy when, in July, it begins to get ready to raise some of the \$10-billion of new money which it is estimated it will need for summer and autumn needs of the Government. The seasonal shortage in cash is occasioned, of course, by the provision that the great bulk of corporation income taxation is paid in during the first six months of the calendar year.

However, the Treasury may be expected to take again the pulse of the business picture ahead before contemplating the adjustment of maturities on this new money. And, of course, any extensive new money borrowing will be precluded until Congress raises the present statutory debt limit of \$275-billion. Action of the debt limit is not expected until around the fiscal year end.

The new yield on a farm commod-(CONTINUED ON PAGE 122)

HAVE YOU SEEN

(1) A discussion of the case against either a reduction or abolition of the rate of assessment for Federal deposit insurance. See the address before the IBA at Detroit, entitled "Confidence," by H. Earl Cook, which may be obtained by writing to the Chairman, Federal Deposit Insurance Corporation, Washington 25, D. C.

(2) A comparison of the principal items of income and expense for all insured commercial banks in 1953 and 1952. Write to the Federal Deposit Insurance Corporation, Washington 25, D. C., for the press release, "Income of Insured Commercial Banks in 1953."

(3) Why the Eisenhower Administration does not want Congress to propose a Constitutional amendment limiting any rate of Federal taxation to 25%, and eliminating death taxes. Write to the Secretary of the Treasury, Washington 25, D. C., for a copy of his letter to Chairman William Langer of the Senate Judiciary committee, expressing his views on S. J. Res. 23.

(4) A discussion of the history of Federal encroachment upon the powers and policies of the states. Send to the United States Chamber of Commerce, Connecticut at H Streets, N. W., Washington 6, D. C., for a copy of an address made April 26 on this subject by C. S. Benson, Director of Research, U. S. Commission on Intergovernmental Relations.

Only STEEL can do so many jobs so well





Dragon's Teeth Sprouting? No, these are steel bearing piles in the foundation of a dam spillway. When the dam is finished, you'll never know the steel piles are there. But they'll be working just the same, for strength and safety, as steel so often works unseen in buildings, highways, pipelines and power plants.



This Baby Sitter is Galvanized! In truth, a sturdy, good looking Cyclone Fence is a dependable baby sitter. For it makes a safe home playground out of your yard. It keeps youngsters, absorbed in play, from stepping accidentally into the path of passing traffic. It prevents stray dogs from molesting your children or flowers. Cyclone Fence, made by U. S. Steel, is further evidence that only steel can do so many jobs so well.

SEE The United States Steel Hour. It's a full-hour TV program presented every other week by United States Steel. Consult your newspaper for time and station.



This trade-mark is your guide to quality steel



Product of Steel Making. USS Ammonium Sulphate helped increase the corn yield on this farm 65 bushels an acre! Before planting, fertilizer was plowed under and also applied in the row at time of planting. When corn was 8 to 10 inches high, it was sidedressed with 100 lbs. per acre of Ammonium Sulphate. In just two years, this fertilizing program boosted corn yield from 60 to 125 bushels per acre.

UNITED STATES STEEL

For further information on any product mentioned in this advertisement, write United States Steel, 525 William Penn Place, Pittsburgh 30, Pa.

AMERICAN BRIDGE . . AMERICAN STEEL & WIRE and CYCLONE FENCE . . COLUMBIA-GENEVA STEEL . . CONSOLIDATED WESTERN STEEL . . . GERRARD STEEL STRAPPING . . NATIONAL TUBE
OIL WELL SUPPLY . . TENNESSEE COAL & IRON . . UNITED STATES STEEL PRODUCTS . . UNITED STATES STEEL SUPPLY . . Divisions of UNITED STATES STEEL CORPORATION, PITTSBURGH
UNITED STATES STEEL HOMES, INC. . UNION SUPPLY COMPANY . UNITED STATES STEEL EXPORT COMPANY . UNIVERSAL ATLAS CEMENT COMPANY
4-1071

ır-

ed ng

he he

by igto

ev

he

led

ear

ly,

es. The euit ast

ing

iod

by

ake icy

ady of

i it

mn

ea-

the ome irst

ex-

maind, ney intil atu-

Ac-

nod-

ING

(CONTINUED FROM PAGE 120) ity price support loan becomes $2\frac{1}{4}\%$ if held by the bank, down from 3% on 1953 crop loans. However, in 1952 banks earned 2% and in 1951, only $1\frac{1}{2}\%$. Where the bank sends the loan back to the Treasury for cash, it still retains $\frac{1}{2}$ of 1% for servicing.

Treasury Hoists Flag Over RFC

Once a symbol of expanding Government financial power over the business and financial world, the much contracted Reconstruction Finance Corporation, at the end of this month enters a new phase of its trip to the bureaucratic grave. It closes its field offices and comes under the supervision of the Secretary of the Treasury, who will direct its further liquidation until the last RFC loan is repaid and last asset disposed of.

Laurence B. Robbins, former vicepresident of the Northern Trust Company of Chicago, and last of the long line of RFC chieftains, remains as head of the agency—an agency not "independent" after June 30. RFC, however, does not go out of corporate existence or lose its identity as such. It does not become a bureau of the Treasury. The law merely provides that as of the end of June the further liquidation of the RFC comes under the direction and supervision of the Secretary of the Treasury.

Ho

thi

has

ab

sy

for

ma

100

106

br Se

fe

ra

G

lo

aı

When Jesse Jones, first RFC chairman, built the Lafayette building, which houses RFC, he had designed a huge pine-paneled, odd-shaped office so large that if any small business enterpriser could manage to rent it for the purpose it would make a most satisfactory night club.

In the recollection of the Washington press, Mr. Robbins is the only RFC chieftain to abolish the ancient custom that this lavish Administrator's office shall be kept in the half light of artificial but subdued lighting as drapes and blinds cover the windows. Mr. Robbins had the drapes pulled back, the blinds opened, and let the sunlight in. "I like to see out," he explained.

As RFC shrinks, the Small Business Administration, housed in the same structure, expands toward the offices made vacant by the contraction of the RFC.

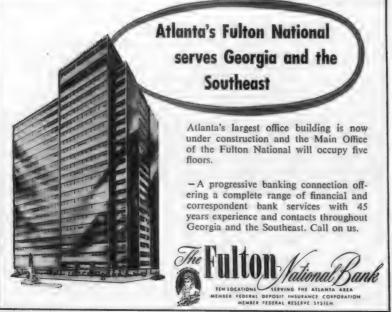
Opposes Tax Limit

George M. Humphrey, Secretary of the Treasury, sharply opposed the proposed constitutional amendment to bar any Federal rate of taxation in excess of 25%. The same amendment would permit rates, roughly, higher by 15% than the top 25%

NORTH DAKOTA Bankers Association has chosen as its president for the 1954-55 year C. O. Thompson, cashier of the First Security Bank, Underwood







rate in emergencies, when both Houses so voted by majorities of three-fourths, and on a year-to-year hasis. The amendment also would sholish death taxes.

of

en-

a

aw

nd

of

Off

of

ir-

ng

led

of-

si-

to

ıld

ub.

sh-

aly

ent

ra-

alf

ht-

he

the

nds

"T

gi-

he

the

ac-

arv

the

ent ion

nd-

ily,

5%

ion

54-

the

Such a Constitutional amendment. said the Secretary, "would require a reconstruction of the Federal tax system. A sudden shift to other forms of taxation would have to be made on a scale that would be neither feasible nor, probably, acceptable to most people. A financial breakdown could easily result." The Secretary further argued that in effect a limit of 25% on any Federal rate of tax would force the Federal Government to encroach upon state sources of revenue.

On the other hand, the Secretary reported that if death taxes were abolished and corporation and individual income taxes were held to a top bite of 25%, the total current loss in Federal revenue would amount to only about \$13.3-billion.

On the basis of current estimates. this would shrink Federal revenues down to about \$49-billion, versus less than \$4-billion before, under the New and Fair Deals, the welfare and "world leadership" eras began.

In other words, if all taxes were held down to a maximum rate of 25%, it would shrink back the Government to a mere 12 times its pre-Roosevelt size from 15 to 16 times

Teach Banking to Indonesians

Through the cooperation of the A.B.A., the A.I.B., the Labor Depart-

ALABAMA Bankers Association has elected Walter W. Kennedy its 1954-55 president. He is president of the First National Bank of Montgomery



ment, but more particularly several forms of cooperatives account for banks, a small beginning is being made toward bringing Indonesia. only a few years ago a Dutch colony. back from the Middle Ages credit-

In Indonesia 85% of the credit comes from private money lenders, virtually as in Europe several hundred years ago. A governmental institution whose name could be translated roughly as the Peoples Bank of Indonesia, provides about 10% of the credit needs of the former Dutch East Indies, while various another 5%.

The Peoples Bank charges rates on loans varying from 9 to 10%, while the interest charges by the cooperatives range up to 15%, according to Labor Department sources.

A couple of years ago the president of the People's Bank of Indonesia visited A.B.A. offices in New York to inquire about training Indonesians to expand the facilities of the institution. The A.I.B. cooperated in planning their training.

The Foreign Operations Adminis-

+ INSURANCE FOR FINANCIAL INSTITUTIONS



HERE IS PROOF POSITIVE THAT CREDIT LIFE

AND

DISABILITY

INSURANCE PAYS!

This picture shows Mr. Joseph Gorecki, Colorado Insurance Group's resident vice president for Kansas, presenting a \$3,000 Credit Life claim check to Mr. Tad Gordon, executive vice president of First National Bank, Leavenworth, Kansas. Witnessing the presentation are (1, to r.) Mr. Ed Becker, cashier, and Mr. John Taylor, president. (Becker and Gordon are growing their beards for Leavenworth's Centennial Celebration.)

The following quotation from a letter from Mr. John Taylor, president of First National Bank of Leavenworth, Kansas, illustrates how a banker regards Credit Life Insurance: "As the oldest bank in the state of Kansas, we naturally are attracted to the services which build prestige in the community. We find the public relations aspect of Credit Life Insurance to be in keeping with this objective." He further states, "We have been very well pleased with the quality of service offered by Colorado Insurance Group and especially with the simplicity and speed with which claims are handled."

For information wire or call collect to the Colorado Insurance Group Home Office in Boulder, Colorado

CREDIT LIFE INSURANCE DEBT CANCELLATION FIRE INSURANCE AUTOMOBILE INSURANCE



COLORADO CREDIT LIFE

COLORADO INSURANCE COMPANY

COLORADO CREDIT LIFE UNDERWRITERS



Australia

from a business point of view

This booklet will assist anyone contemplating establishing a business in Australia, whether it is a small retail business or a large manufacturing company.

Written with the authority of Australia's oldest and largest joint-stock bank, it offers those who wish to start a new enterprise in that young but growing country a short account of the framework of business organization throughout the Commonwealth of Australia. It also affords some knowledge of the problems and conditions which would be met.

If you have customers interested in establishing a business in Australia, you may obtain free copies of this book from:

BANK OF NEW SOUTH WALES

BRITISH & FOREIGN DEPARTMENT, SYDNEY, AUSTRALIA
R. J. Neal Blackwell, Manager

WE ARE FULL OF PEOPLE

In these days of pushbutton control, it is easy to forget that the nicest thing about business is that it is full of people. True enough, people do not always get along and sometimes they do not agree, particularly as they tackle their business problems. But if they have a warm personal regard for each other, disagreements usually can be amicably composed.

Some smart philosopher once said, "If you must disagree with a man in business, make him like you personally," and when he tossed out that little piece of wisdom he probably revealed the true secret of successful business enterprise. The machines and methods which as a rule are credited with making efficient production possible are really nothing more than the product of the minds of people who, by their

accomplishments, have demonstrated their ability to engage in tolerant debate and come up with something that does the job better.

In our small organization, we are fortunate indeed to have a lot of people who like each other and, even though we are pretty well spread out geographically, it has never been too difficult to develop and win acceptance for ideas which contribute to better performance. We frequently disagree with respect to method but never with respect to objective, and our objective is simply to produce bank checks just a little better...just a little faster. If the machines and methods which we use in our six plants are compatible, we think it is probably because we are full of compatible people . . . all of which adds up to better service to our customers.



Manufacturing Plants at:

CLIPTON, PAOLI, CLEVELAND, CHICAGO, KANSAS CITY, ST. PAUL



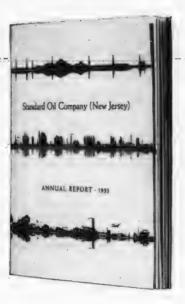
TEXAS Bankers Association's newly elected president is John M. Griffith, president, City National Bank, Taylor

tration pays for the passage of some 10 Indonesians who are coming here to train in American banks, and pays their subsistence while here. up to a year. The arrangements are handled for FAO by the International Branch of the Bureau of Apprenticeship of the Labor Department. The banks will provide the training free. Selected Indonesians of promise are going to be given work assignments in these banks. which include the Seattle First National Bank, the National Bank of Commerce of Seattle, the First National Bank of Minneapolis, the First National Bank of Portland, Ore., the U. S. National Bank of Portland. Ore., and the Bank of California, Portland, Ore. (END)

NEW JERSEY Bankers Association's newly elected president for 1954-55 is Frank A. Weber, president, The Garden State National Bank, Teaneek



report that concerns everyone!



THE BUSINESS OF FINDING, refining and bringing to market the world's oil is a big and continuing job—one in which Standard Oil Company (New Jersey), among many others, plays a significant part.

How this job is done affects America in many ways—and is therefore important to every American. Our Annual Report for 1953, recently mailed to the 284,000 shareholders who own this company, tells about our part in this job, and some of its high lights may interest you.

Today, when many thoughtful people are wondering about the economic future, we're glad to say that things look good to us. As far as we can see from the evidence available, the economy of the free world is stronger now than at any time since World War II.

But more important than hopeful words are positive actions.

Since 1946 Standard Oil Company (New Jersey) and its affiliated companies have spent nearly 4 billion dollars on new facilities to help supply the oil needs of free people... a 4-billion-dollar vote of confidence in the future. This year we intend to invest even more than the 500 million dollars we spent last year.

The result? Continuously increasing reserves of oil in the ground. Modern equipment. More efficient operations. New and better products.

Our customers used more oil in 1953 than ever before, which meant that people lived better, that industry was more active, that the free world's economy prospered.

We took in more money, and paid out more wages and salaries to employees, more taxes to governments, more dividends to shareholders than in any previous year.

Esso research made great strides ...outstanding gasolines and lubricants were among the results of dynamic progress in this field.

These activities—these investments made to get people the oil they need—are vital factors in our nation's economy, for they directly affect thousands of businesses and individuals. And everybody benefits.

This is a continuing process. It has been our job for 72 years. It will continue to be our job.

IF YOU'D BE INTERESTED in receiving a copy of our 1953 Annual Report, write Standard Oil Company (New Jersey), Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

STANDARD OIL COMPANY (NEW JERSEY)

and affiliated companies



wly ith.

me ere ind ere, are

Ap-

rt-

the

ans

ven

ks.

Va-

of

Va-

rst

the

nd.

nia,

(D)

n's

is

den

NG

COLOMBIA MEANS BUSINESS

LET US HELP YOU INCREASE YOURS

OPPORTUNITIES in Colombia for U. S. business are increasing every year. Trade connections are becoming more profitable. With an eye on your business future there, why not let us assist you with your collections and letters of credit?

For instance in making collections, we have an outstanding record of combining efficiency with tact, courtesy with results—a proven faculty for settling unpaid accounts quickly and retaining good-will.

As for letters of credit, consider the convenience of our 29 offices located in every important commercial centre in Colombia. This exceptional coverage is a great advantage too in furnishing current and comprehensive trade information.

In fact whatever your requirements, we have special departments handling every phase and facility of banking. More and more progressive U. S. banks and business firms are making use of our extensive organization established for over 40 years.

We invite your inquiries.

BANCO COMERCIAL ANTIQUEÑO

Established 1912

Cable address for all offices - Bancoquia

Capital paid-up Surplus: Other reserves: \$20,675,000 — Pesos Colombian. \$17,500,000 — Pesos Colombian. \$3,972,000 — Pesos Colombian.

General Manager: Antonio Derka

Head Office: MEDELLIN, COLOMBIA, SOUTH AMERICA

BRANCHES: Armenia (C), Barrancabermeja, Barranquilla (2), BOGOTA (3), Bucaramanga, Cali (2), Cartagena, Cartago, Cúcuta, Girardot, Ibagué, Magangué, Manizaies, Medellin (1), Monteria, Nelva, Palmira, Pasto, Pereira, Puerto Berrio, San Gil, Santa Marta, Sincelejo, Socorro, Vélez (S).



B M

COAST-TO-COAST

BANK OF MONTREAL

New York -- 64 Wall Street San Francisco -- 333 California Street Chicago: Special Representative's Office, 38 South Dearborn Street

600 Branches Across Canada Resources Exceed \$2 Billion





General Borum

Carl C. Hall

MAIN STREET

(CONTINUED FROM PAGE 30)

MAJOR GENERAL FRED S. BORUM has been named vice-president of The Liberty National Bank and Trust Company, Oklahoma City. GENERAL BORUM retired from the Army on April 30. On May 1 he assumed new duties at the bank as a public relations officer. He had been Commanding General at Tinker Airforce Base in Oklahoma City since 1945. The last week of April was designated as "General Borum Week" in Oklahoma City by the Chamber of Commerce in appreciation of the General's 36 years of military service.

CARL C. HALL, assistant vice-president, has retired after 47 years with First National Bank in Houston, Texas. He helped organize Houston Chapter, American Institute of Banking, in 1913 and served twice as its vice-president. He has also been a long-time member of the FPRA.

HERBERT T. SURRENCY has been named vice-president in charge of the instalment loan department of The Union National Bank, Charlotte, North Carolina. MR. SURRENCY had been with the Citizens and Southern National Bank of South Carolina, Columbia.

WILLIAM J. SCOTT has been named director of advertising and public relations of American National Bank and Trust Company of Chicago. He's

H. T. Surrency









of and lity.

the

asas a been

Air-

ince

was

rum

the cia-

of

res-

vith

ton.

ston

of

wice

also

the

neen

of

of

har-

NCY

and

outh

med

blic

ank

Te's

at

ING

Montfort Jones, professor of finance at the University of Pittsburgh, died on May 17 after a long illness. He had been a member of the Economics faculty of The Graduate School of Banking and an advisory member of the A.B.A.'s Research Council. He was serving his second term as a director of Pittsburgh branch of the Federal Reserve Bank of Cleveland.

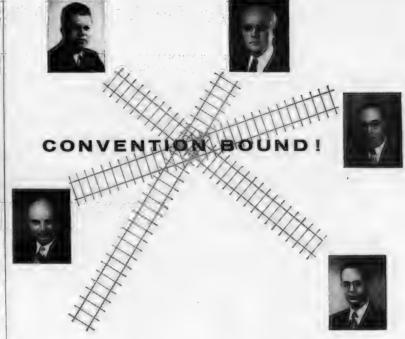
a director of the Chicago Financial Advertisers Association and a member of the Chicago and Illinois Bar Associations.

The First National Bank of North East, Pennsylvania, has issued a history in connection with its 60th anniversary. The actual anniversary was August 1 of last year, but the history was deferred until the bank completed its modernization program. The booklet was written by Fred C. St. Clair, cashier, who illustrated it with historical and present-day pictures.

The Oswego County Savings Bank, Oswego, New York, is being completely modernized at a cost of about \$300,000. The job is expected to take seven months.

The biggest construction job in 25 years in downtown Toledo, Ohio, is being undertaken in the Nicholas Building to provide new quarters for the Commerce National Bank. The bank will move into the building about September 1. At the same time, the bank's name will be changed to The National Bank of Toledo, and the building name will be changed to National Bank Build-

(CONTINUED ON PAGE 130)



T'S a wonderful feeling to board a train, or plane, convention bound. Ahead of us are old friends we're mighty happy to see again. Also new contacts to make, that may develop into lasting relationships that are pleasant and mutually profitable.

And while we're away, we know that our Bank will go right on rendering the kind of correspondent service that makes it easy for us to hold our old friends and make new ones, wherever we go.

American National Bank and Trust Company of Chicago

LA SALLE AT WASHINGTON, CHICAGO 90, ILLINOIS FRanklin 2-9200

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Scudder
Stevens
& Clark
Fund, Inc.



ESTABLISHED IN 1928

Prospectus on request:

10 Post Office Square Boston 9, Massachusetts

One Wall Street New York 5, New York

117 South 17th Street Philadelphia 3, Pa.

8 So. Michigan Avenue Chicago 3, Illinois



rotection for your customers who ship abroad

• As a banker you know which of the manufacturers in your town ship to foreign lands. You may know, too, that The Home, as one of the nation's leading marine underwriters, extends its insurance protection right from factory siding—anywhere in the USA—to the overseas destination. Did you know that this protection can be offered by any local Home agent?

In full-color national advertisements like the one on the right, The Home is reminding your customers—manufacturers, merchants and individuals—that the Home agent offers them "an umbrella of insurance protection."

THE HOME & Insurance Company

Home Office: 59 Maiden Lane, New York 8, N.Y.

FIRE . AUTOMOBILE . MARINE

The Home Indemnity Company, an affiliate, writes Casualty Insurance, Fidelity and Surety Bonds



THIS SHIP SAILS UNDER AN UMBRELLA!

It's an umbrella of insurance protection . . . and it benefits you as well as ship and shipper. Under Ocean Marine coverage—one of the many classes of insurance written by The Home through its agents and brokers-both the hull and cargo can be insured against damage or loss. Thus, America's merchants and manufacturers—as well as her merchant fleet-are sheltered by this umbrella of protection.

Every Home agent can offer the full facilities of Home's Marine Department-whether he is located in a seaport or a thousand miles from the ocean. As always, your local agent is the man to see!



P.S. to Sunday sailors -

You don't have to own a liner to benefit by Home's sea-going insurance. From an outboard motorboat to a yacht, there's an "insurance umbrella" to fit your craft.



This ad will appear in full salar, full page size in the following publications TIME JULY 19 - SATURDAY EVENING POST JULY 24 - BUSINESS WEEK July 31 - U.S. NEWS & WORLD REPORT AUGUST 20 NATION'S BUSINESS August

ING

PROMOTIONAL PIECES SELL FOR YOU!

Inexpensive!



GREETING CARD . SHOPPING LIST

- 5" wide, 151/4" long
- In brilliant red and green
- Greeting card list on one side shopping list on other
- Your message and name on back panel



JOLLY SANTA CLAUS

- 6" high, 4" wide
- 4 brilliant colors
- Your message and name on back
- · Card stock
- Stands, hangs on tree, paste on glass

IDEAL for mailing, counters, distrib. thru organizations.

Min. quantity 1,500..\$17.00 F.O.B. Yonkers, N.Y. WRITE for low quantity rates, samples, copy on back.

THRIFTY FORMS PRINTING CO.

326 South Broadway

Yonkers, N. Y.

MAIN STREET (Continued)

ing. The present Commerce National Building has been sold to the Toledo Trust Company which will raze the building and use the area for parking space.

GEORGE L. BUTLER, formerly treasurer, has been named vice-president and treasurer of Empire City Savings Bank, New York City. FREDERICK H. MORRIS, formerly secretary, was named assistant vice-president and secretary.

FARMERS NATIONAL BANK of Bloomsburg, Pennsylvania, has a new walk-up window.

HOUSTON (Texas) BANK & TRUST COMPANY expects to build a 3-story building, to which nine additional stories may be added later. Plans include a 7-level parking garage.

FIRST NATIONAL BANK in Dallas, Texas, has completed a modernization and expansion program which took two years—while business went on as usual. The job cost \$2,700,000 and was shown to the public at an open house on San Jacinto Day, a Texas holiday. Aside from its elaborate appointments, the bank realized an additional 30,554 square feet of floor space.

GERALD S. KESSLER, manager of the Industrial Bureau of the Long

Island Association, is joining the Meadow Brook National Bank, Freeport, New York, as a new business representative.

JOHN W. THORN was elected secretary of The Pennsylvania Company for Banking and Trusts, Philadelphia, succeeding Lewis M. Evans, retired.

ALEXANDER L. BABBIT has retired as vice-president of the Tacoma, Washington, office of the Bank of California, N.A., after 43 years with the bank. Mr. BABBIT and his wife have left on a 6-month tour of Europe.

C

Vice-president K. BRANTLEY WATson will resign from the staff of the Federal Reserve Bank of Richmond in midsummer to become director of human relations for McCormick and Company, Baltimore. Since 1948, Dr. Watson has served as an instructor at The Graduate School of Banking and has lectured at the New York State Bankers Association School of Public Relations. He was once an instructor in psychology at Duke University and for several years was head of the university's bureau of testing and guidance.

CITIZENS BANK, Warrensburg, Missouri, entertained about a thousand visitors at the formal opening of its newly remodeled building.

These models are secretaries, tellers, and bookkeepers at Valley National Bank, Phoenix, Arizona. Once a year, the women's club of the bank holds an Easter style show. This year's profits amounted to some \$300, which was donated to a local children's home







a,

e

f

d

of

id

8,

1-

of

ie

le

1-

or

i-

id

u-

g



Harry L. Smith

JOHN D. DUNNE is the new executive secretary of the Nassau County Clearing House Association, Hempstead, New York. For the past 14 years he has been a national bank examiner and prior to that was associated with the Bank of the Manhattan Company, New York City.

HARRY L. SMITH, who represents First National Bank in St. Louis in the states of Louisiana and Arkansas, was promoted to vice-president. He has been with the bank for 31 years.

UPPER DARBY (Pennsylvania) NA-TIONAL BANK has underway a construction project which will provide two drive-in windows, one walk-up window, and additional space for its Charge-Rite department.

Managers of all branches of BANK OF ^MERICA attended a two-day conference in San Francisco. The conference was the opening event of an anniversary season celebrating the half century history of the bank, and was opened on May 6, birthday of the late A. P. Giannini, founder.

JOSEPH E. BIRNIE, president of The Bank of Georgia, Atlanta, has been elected vice-president of the Atlanta Symphony Orchestra. He had served as treasurer for the past three years.

WILLIAM F. KEESLER, vice-president of The First National Bank of Boston, has been named a trustee for life of Tufts College, Medford, Massachusetts.

ROBERT C. RUTHERFORD, national secretary of the American Institute of Banking, will teach a new course in Supervisory Techniques to the third-year men who will make up the first graduating class of the School of Consumer Banking at the University of Virginia, Charlottesville.

Reese Honored

L VERETT D. REESE, president of the A.B.A. and of the Park National Bank, Newark, Ohio, was named an honorary member of the Ohio State University chapter of Beta Gamma Sigma, national commerce fraternity. Mr. REESE is an alumnus (class of 1919) of Ohio State's College of Commerce and Administration and is a director of the University's Development Fund.

Following initiation ceremonies, beld at the Faculty Club on the campus on May 3, Mr. REESE addressed a banquet on the subject: "What Price Opportunity?"

The SECOND NATIONAL BANK, Houston, Texas, has been awarded a framed Scroll of Honor in recognition of three years of outstanding service to the Israel bond campaign.

The board of directors of THE CITIZENS BANK OF DEKALB, Georgia, have voted unanimously to affiliate with the Citizens & Southern National Bank, Atlanta.



* A fictional character—but a very real function!

This imaginary vice president symbolizes several dozen actual bank officers and staff members whose principal concern is efficient, consummately accurate handling of your correspondent banking transactions. Our transit staff is geared to swift operation, and all out-of-town checks are microfilmed. All correspondent matters are processed with meticulous attention to detail. Special handling of mail by train, plane, bus or special carrier service saves transportation time . . . insures faster collections.

You're invited to give us a try any time.

CENTRAL NATIONAL BANK

of Cleveland

CLEVELAND 1, OHIO

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

IBA Holds 20th Annual Convention

AGRICULTURE, tariffs, foreign relations, legislation, branch banking, and many other topics were discussed at the 20th annual convention of the Independent Bankers Association in Detroit on April 29 and 30.

D. Emmert Brumbaugh, outgoing IBA president, and president of First National Bank, Claysburg, Pa., paid tribute to the Treasury Department and to many Government officials.

Mr. Brumbaugh averred that "the nation lost the services of a great man in Washington when Joseph M. Dodge. Director of the Bureau of the Budget, returned to private life. He has been succeeded by an equally able man, Rowland R. Hughes, whom I have the privilege of working with in the American Bankers Association and one whom I can assure you will use every effort to place our economy on a sound basis. The Treasury Department-and all its branches from the top down-is in able hands. Therefore they merit our continued cooperation."

No sound argument, said Mr. Brumbaugh, could be advanced by larger institutions that would justify them in taking over smaller banks and establishing branches. Absentee ownership does not work for the best interest nor does it serve best the community in which branches are substituted for homeowned institutions.

"Suitable" Bank Holding Bill

"A great task lies ahead for independent bankers," he declared, "and to have a suitable bank holding company bill passed will take great effort on the part of those who will carry the fight. With the aid of those who believe in small business and the maintenance of credit in the hands of many, rather than in the hands of the few, I am sure that we can and will win."

Senator Fulbright, Arkansas Democrat who is a member of the Banking and Currency and Foreign Relations Committees, said that there is surprisingly little banking legislation on the slate in Washington. The "greatest domestic problem in



Incoming president William J. Bryan addresses the 20th annual convention of the Independent Bankers Association in Detroit. Seated is outgoing president D. Emmert Brumbaugh

Washington is price support for agriculture." he said.

In the field of foreign relations "where there are many problems," Senator Fulbright urged full support of the Administration and patience with Secretary John Foster Dulles. He said that, in his opinion, time is on our side in the struggle with Russia; we are richer, more educated, and our system of society is better established. "What the world needs today is understanding Americans."

Ford Betting on Farmer

Merritt D. Hill, assistant general manager of the Tractor and Implement Division, Ford Motor Company, doesn't agree at all "that agriculture is rushing down hill in a hand basket. And I don't mean to minimize the serious problems we have in the field of agriculture." He said that Ford has invested "many millions of dollars" in the company's expanded farm machinery operation "and we expect to invest millions more. We're putting our blue chips on the American farmer-and we know from 50 years of dealing with him it's a safe bet."

H. Earl Cook, FDIC chairman, spoke on "Confidence." "Banking," he said, "illustrates within its own province the crucial part that confidence has played in bringing us to our present station.

"Whatever the fears and dangers which surround us today, mass bank

failures is not one of them. Where 20 years ago banking was enveloped in a cloud of distrust and doubt, to-day the horizon is clear.

"The confidence with which depositors today regard our banking system is a priceless asset."

Ed Wimmer, vice-president of the National Federation of Independent Business, Inc., told the convention that "all bankers must understand that any fight to preserve a highly decentralized banking system is no fight to save independent banking for itself. It is a fight to preserve the democratic ideal as it applies to credit and money in all its uses."

John Coleman, president of Burroughs Corporation, said that "if injury is argument for tariffs, injury is argument against tariffs, also."

Officers Elected

Newly elected as president of the IBA is William J. (Jennings) Bryan, vice-president of the Third National Bank of Nashville, Tenn. Mr. Bryan has long been active in the Tennessee Bankers Association and in the American Bankers Association. In the A.B.A., he has been a member of the Legislative Committee, vicepresident for Tennessee, regional vice-president for the Association. He is an alumnus of The Graduate School of Banking, class of 1941. His thesis was concerned with branch banking, and is available in book form.

B. H. Ryan, president, State Bank of East Moline, Ill., was elected first vice-president. Joseph V. Johnson, president of Johnson County Bank, Tecumseh, Neb., would normally have moved up to this post, but asked not to be advanced in the IBA. He is in line for the presidency of the Nebraska Bankers Association this year.

Continued in their present IBA posts were the treasurer, Carl R. Pohlad, vice-president, Marquette National Bank, Minneapolis; the secretary, Ben DuBois, president of the First State Bank of Sauk Centre, Minn.; and the assistant secretary, William Kirchner, vice-president. Richfield State Bank, Richfield.

Faster Service

(CONTINUED FROM PAGE 35)

re

ed

0-

le-

ng

he

nt

on

nd

lv

no

ng

ve

es

5. "

r-

n-

he

n.

al

an

9-

he

In

er

0-

al

n.

te

1.

th

in

ık

st

n,

k,

ly

ut

1e

ii-

s-

A

₹.

te

ne of

6.

d.

G

instrumentality. The association has recognized its responsibility and has started to do something about it. Whether it is possible to get action fast enough to be effective remains to be seen. This seems to present one of the most complicated and urgent situations in the history of the organization.

Certainly each of our banks should be aware of the possible limitations resulting from independent action, and as members of the association we have a duty to ourselves to do two things.

First, we should insist on being advised of progress from time to time in order to cooperate either by accepting the association action as a guide, or of criticizing what we may think is wrong, before anything reaches the frozen stage where consideration would be impracticable.

Second, the adverse effect of the language barrier mentioned before cannot possibly be overemphasized. In comparison with persons, machines that are designed to read and to locate and identify the information to be read are comparatively inflexible. Either we must design and accept collectively a reasonably uniform placement of essential information on each check in a language that can be read with equal facility in different banks, or, each time there is a change, another manual action will be required.

Leadership Required

With the many potential improvements that we have been led to believe are possible, every one is impatiently trying to determine which way to move. Accordingly, banks acting together through their organizations must prove themselves to be the restraining, guiding, and leading dynamic force that both recognizes the necessity and accepts the responsibility for immediate action, or we will be forced to take our choice of accepting the creation of a chaotic situation, or of implementing essential cooperative action by other means.

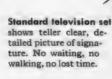
In its simplest possible terms the challenge is this: Has banking in general matured sufficiently to act as a unit in designing procedures and equipment, rather than to continue completely individual action?



With TV Eye, your tellers verify signatures, check deposits, without moving from the window, without saying a word. TV Eye cameras at teller's elbow, and at the files, take over the jobs that now mean lost time and embarrassment every day.

COMPACT TV EYE consists of a small camera that fits practically anywhere—and a control unit no bigger than a table radio. Both units connect into any standard TV receiver—operate from standard 115-volt, a-c outlet.

CHECK TV EYE at your local RCA Electronics Distributor's, or write Radio Corporation of America, Dept. E205, Building 15-1, Camden, New Jersey.







is the time to plan Fall installations

streamline operations with

FAST NEEDLE-SORTING MasterSort PASSBOOK

(for systems above 5,000 accounts)



- · Makes sorting and posting efficient
- · Cuts bank work to a minimum
- · In operation throughout U.S.
- Other systems available tailored to all size communities

simple effective inexpensive

SCHOOL THRIFT

School Savings Programs

Banking forms . Promotional material · Personal installation, guidance and service



326 SOUTH BROADWAY, YONKERS, N. Y.

Further Study Suggested for **Uniform Commercial Code**

SUBCOMMITTEE on the Uniform Commercial Code of the Committee on State Legislation of the American Bankers Association recommends further study of the proposed Uniform Commercial Code, which has already been adopted in Pennsylvania and is being considered in several of the states for legislative enactment.

The A.B.A. Committee has been studying the proposed code since last September and has recommended that because of the enormous scope of its coverage and its tremendous impact on banks, it should not be considered for enactment in any state until official legislative commissions in Connecticut, New York, and Texas have completed their studies on it and appropriate changes have been made in the light of experience in Pennsylvania.

The Uniform Commercial Code was compiled under the joint auspices of the National Conference of Commissioners on Uniform State Laws and the American Law Institute. The purpose of the proposed code is to provide for enactment in each of the 48 states a uniform statute covering most of the law relating to commercial transactions, which would restate and replace the current law on the subjects of Sales, Negotiable Instruments, Bank Deposits and Collections, Letters of Credit, Bulk Sales, Warehouse Receipts, Bills of Lading and other Documents of Title, Investment Securities, and Secured Transac-(pledges, accounts receivable,



MISSISSIPPI Bankers Association's new president is Wade W. Hollowell, president, First National Bank, Greenville

assignments, chattel mortgages, chattel trusts, trust deeds, factors' liens, equipment trusts, conditional sales, bailment leases, trust receipts, other liens or title retention contracts and leases intended as security). It has been estimated that the code covers nine-tenths of the commercial law and about one-fifth of all civil law. Passage of the code in any state would result in the repeal of a large portion of the tested statutory law and the established case law relative to the above subjects.

Study by States

The code was enacted during 1953 in Pennsylvania, where it takes effect July 1, 1954. It has been introduced in many other states; and its introduction in other legislatures may be anticipated. In several states, it has been referred to committees or commissions for study and report to the legislatures. The majority of a special commission appointed by the Massachusetts Legislature has recently reported with recommendation that it be adopted there with a number of suggested changes in both the text and comments. In Connecticut, New York, and Texas, similar commissions are giving it extensive study. In New York, the Law Revision Commission has the assistance of a staff of experts and is holding public hearings. It is expected that when these groups finish their studies, they may also make a substantial number of recommendations. Also, a group of California bankers in conjunction with lawyers is making a thorough study, using the case system applied to actual bank operations and transactions in that state.

Since passage of the code in Pennsylvania, the editorial board for the code has on several occasions approved a number of changes in both text and official comments; and it has been indicated that many additional changes may be considered.

The chairman of the Subcommittee is George F. Taylor, director, Commonwealth Trust Company, Pittsburgh, and Thomas B. Paton, assistant general counsel, A.B.A., is secretary.

BANKING is currently running a series of articles on the effect of the code upon the statutes and forms drafted and recommended by the A.B.A. Mr. Paton is the author of the series.



This new lobby display was designed by Mosler. It has proven highly effective in renting safe deposit boxes.

How to rent every safe deposit box in your bank (and then some)

Today's bank can secure safe deposit box rentals the same way today's supermarket sells soap, cereals and canned foods. Modern sales promotion techniques work amazingly well... and all the "tools" you need are yours for the asking!

IF YOU have unrented safe deposit boxes, the most valuable thing you can do with your next 3 minutes is fill out and mail the coupon, below. Even if you never mail coupons, send this one in.

For your 3 minutes and a 3-cent stamp, you'll receive the most effective aid you've ever had to rent those safe deposit boxes. It's a special new kit which Mosler has just prepared. It includes both ideas and promotional tools which have been thoroughly tested and proved. There are special folders, handout pieces, mailers and other materials, which can be *individualized* with your own message. There are tips and suggestions, too. And details on how to get and use the new Mosler Safe Deposit Box lobby display shown above. Mail the coupon, now. See how easy it is to get those boxes rented!

P.S. If most of your present boxes are already rented, mail the coupon, anyway. Get details about new Mosler Safe Deposit boxes. Install, and rent them, too! Remember that safe deposit box customers are the solid citizens. The bigger depositors. The more you attract, the better!



Here are just a few of the "tools" you get in this new Mosler Safe Deposit Box promotion kit.

The Mosler Safe Company, Den't B-6

IF IT'S MOSLER . . . IT'S SAFE



World's largest builders of safes and bank vaults . . . Mosler built the U. S. Gold Storage Vaults at Fort Knox and the famous bank vaults that withstood the Atomic Bomb at Hiroshima

32nd Street and Fifth Avenue, New York 1, N. Y. Please send me (check one or both): □ Your new Mosler Safe Deposit Box promotion kit and details about your lobby display. □ Full details about new Mosler Safe Deposit Boxes.
NAME
COMPANY
ADDRESS
CITYZONESTATE

el

ıs,

es,

er

nd as rs nd ge alt he ve

ily
iny
in
ed.
ed
dy
he
iplamere

in on-

lar ive

a

lic

en

ley

oer

of

ith

dy,

ual

in

yl-

ode

a

and

in-

ges

tee

ongh,

ral

the ms the

of

NG

Five Responsibilities of Bank Management

THE responsibility of bank leadership is to provide highly competent management for our banks." Homer J. Livingston, vice-president of the A.B.A. and president of the First National Bank of Chicago, told the recent annual convention of the Maryland Bankers Association.

"At the risk of oversimplifying this responsibility," he continued, "may I emphasize five significant aspects of bank management.

"First, we are obligated to provide credit facilities for our communities. We must have something more than a casual acquaintance with the businesses and industries we serve if we are to take care of their credit needs intelligently and protect our depositors and stockholders. It is worth recalling that approximately 40% of all bank deposits are invested in loans.

"On an average, over 35% of total

bank deposits are invested in United States Government obligations: and almost 10% of the deposits are invested in other securities. So large a part of our earning assets now is in our bond accounts that at least one person in each bank should be assigned the definite responsibility for studying interest trends and the bond market every day. It is as unwise to be complacent about a bond account as it is to neglect the loan portfolio.

"We need also to review regularly the problem of building our capital accounts. In 1953, deposits were almost three times as large, and loans were over 31/2 times as large as they were in 1939. Yet, capital accounts only doubled in the same period.

"Good management also necessitates a good auditing and control system in every bank. Poor accounting practices and poor auditing controls are inexcusable in any bank. If a bank is too small to have competent auditing, then management may provide periodic audits by able outside accountants.

"Good management makes imperative at least one other requirement -a carefully considered plan for employee training and for the development of successor manage-

"In the years ahead, more than ever before, these problems will occupy a position of transcendent importance in banking," Mr. Livingston concluded.



OKLAHOMA Bankers Association has elected as its new president J. Branen, president, Bank of Marshall



AIR REDUCTION COMPANY 60 East 42nd Street New York 17 N.

148th CONSECUTIVE COMMON STOCK DIVIDEND

The Board of Directors has declared a regular quarterly dividend of 35¢ per share on the Common Stock of the Company, payable on June 5, 1954 to holders of record on May 18, 1954 and the tenth or record on May 18, 1954 and the tenth regular quarterly dividend of \$1.125 per share on the 4.50% Cumulative Pre-ferred Stock, 1951 Series, of the Com-pany, payable June 5, 1954 to holders of record on May 18, 1954.



T. S. O'BRIEN

April 28, 1954



Will Bring YOU Five Months of "BANKING'S Newsletter" Send your order to: BANKING-12 East 36th St. - New York 16. N. Y.

SAFEWAY STORES, INCORPORATED

1953 Business Record

Safeway, the world's second largest retail
food concern, set a new record for sales and nearly doubled
1952 earnings in this first post-war year of normal
competitive business conditions.

- Safeway's 2,037 retail stores are located in 23 States of the U.S.A. and 5 Canadian Provinces.
- Thirty one new stores were under construction at year's end and specifications were completed or in process of completion for 121 additional garage.
- In-1953. Safeway contributed: \$6,700,619, in the form of \$8.7 Financy, school, and broad spite at 10.8 Fixed 3th cost of local government, in addition, it paid \$21,231,592 as income, sales, excise, franchise and social security laxes to the state and feeling a juvernment.
- Excellent employee selations were not fained all year liberal group inturence retirement and a shirtnering programs are available to all employees.

Here's How Each \$100 of Safeway's Income

	was used		٠
in 1953	Paid out to Farmers and other Suppliers	in 1952	
\$84.70 7.41	of Goods and Expended for Manufac- turing and Warehousing Paid out in Salaries, Wages and Bonuses	\$85.85 7.44	
4.88	Paid not for Operating Supplies and owner Expenses	4.41	
1.41	Paid out for Local, State and Federal Taxes Set aside to cover Depreciation	1.12	
.83	Prailit for Stackholders and Surplus	45	
.06	Paid out as Compensation to Elected Officers	.04	
2100.00		4100.00	

10 Year Comparative Record of Safeway Stores, Incorporated and all Subsidiaries Consolidated

Year			Capital and Surplus	Net Assets Per Share of Protoced Stock	Book value Per Share of Common Stock*	Dividends Pd. Per Share ef Common Stock*	Net Earnings Per Share of Common Stock*
1944			\$ 62,564,498	\$299	\$16.40	\$1.00	\$1.63
1945			63,604,685	311	16.97	1.00	1.59
1946			71,901,081	359	20.18	1.00	4.29
1947	۰		76,039,946	388	21.96	1.00	2.75
1948			81,972,829	428	24.44	1.00	3.50
1949			91,236,990	488	28.22	1.25	5.04
1950	۰	0	115,215,274	371	29.76	2.40	5.20
1951			113,821,747	377	29.58	2.40	2.26
1952		0	132,273,480	266	29.03	2.40	2.01
1953			138,196,700	335	31.23	2.40	4.31

*Number of shares adjusted to reflect April 12, 1945 3-for-1 split.

NET SALES FOR 1952

Tany in a feature of the 1952 and the 1952 of Safeway Stores: Incorporated and all subsidiaries reached \$17.51.819.708 the greates in the Company's history. The was an increase of \$112.724.496 or 6.88 over the previous high set in 1952.

NET PROFITS CONTINUE UP

1953 het protits betare income toses were \$29.620,074 m. v. t. b.e. 1552 v. m. arm. is \$1.5 \times 1452 After allowing for a refund of \$470;122 at excess profits to the state of \$1.5 \times 1550 and \$1.5 \times 1550 and

EARNINGS AND DIVIDENDS

Net earnings on the common stock after payment of preterred dividends of \$1.914,418, were \$4.31 per share on the 2.928,159 average number of common shares outstanding during 1953. This compares with \$2.01 per hare samed in 1952 on the 2.31, 37 there satisfies the 2.31 three satisfies dividend in 1952 on the 2.31 three satisfies dividend in 1952 on the 2.31 three satisfies preterred and 120,177 shares of 4.25 cumulative convertible preterred stock outstanding at the end of the year were earned 8.51 times. Cash dividends of \$2.40 per share were paid on the common stock. The Company, record of uninterrupted dividends was maintained by the payment of the 109th consecutive dividend on its

ASSETS AND LIABILITIES

The many of the second of the

SAFEWAY STORES, INCORPOBATED

LIBRARIAN, SAFEWAY P. O. Box 660, Oaklan		160	BK
Please send copy of you	ır 1953 Annual Report		
NAME			
STREET			

DISTRIBUTE:-

WITH YOUR COMPLIMENTS

1954 TAX DIGEST AND MANUAL

(The ORIGINAL tax folders—now in their 21st season)

Revised for the approaching Revenue Act of 1954, these attractive pocket size folders will effectively build goodwill when distributed by mail—over the counter—and with statements. With useful tax rate tables, important changes highlighted, and other valuable tax information.

With YOUR seal, signature cut, or other imprint on the title page, and YOUR State Inheritance Tax table or a special message describing the services you render on the back page, you will attract NEW BUSINESS to your Trust Dept., and other Depts. Send for samples, and pre-publication quantity prices.

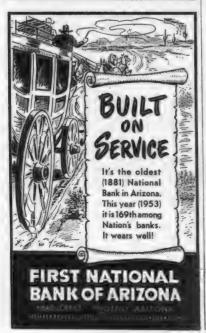
Also our 1954 "2-in-1" WITHHOLDING CHART, (F.I.C.A. with Inc. Tax), distributed in quantity, with your imprint, will make many new friends. (Sample—25 cents.)

TAX PUBLICATIONS CO., INC.

116A Newbury St.

Boston 16. Mass.





New Books

PRICES, INCOME AND PUBLIC POL-ICY. By Clark Lee Allen, James M. Buchanan, and Marshall R. Colberg. McGraw-Hill, New York. 407 pp. \$5. A new textbook by three professors of economics at Florida State University. It's subtitled "The ABC's of Economics."

A Forms Manual. By Wesley S. Cadmus, Unionville, Conn. 65 pp. \$7.50. Savings in standardization, principles of form design, specialty forms, and how to buy forms. The author conducts an annual course in forms standardization and design, and this manual is the notes he distributes.

FOUNDATIONS OF THE AUSTRALIAN MONETARY SYSTEM, 1788-1851. By S. J. Butlin. Cambridge University Press, New York. 705 pp. \$9.50. A history which the author, professor of economics at the University of Sydney, plans to carry down to a later date.

CANADA AND THE INTERNATIONAL BUSINESS CYCLE 1927-1939. By Edward Marcus. Bookman Associates, New York. 208 pp. \$3.75. A case study in the transmission of cyclical

influences from one country to another.

EDUCATING FOR AMERICAN CITIZENSHIP. American Association of School Administrators, Washington, D. C. 615 pp. \$5. This volume, the association's 1954 yearbook, brings together the latest ideas from American schools and experimental projects operated with foundation grants.



DELAWARE Bankers Association's new president is Edward B. Green, executive vice-president and cashier, Georgetown Trust Company



ALASKA Bankers Association's head for the 1954-55 year is W. A. Bates, executive vice-president, Miners and Merchants Bank of Ketchikan



SOUTH CAROLINA Bankers Association's newly elected president is Paul R. Jenkins, vice-president and cashier, The Peoples National Bank, Rock Hill





both from the <u>same</u>
Room Air Conditioner!

GREATEST single factor in the surge of air conditioning into a year-round business has been the perfection by Philco of a practical way to apply what is known as "reverse cycle" refrigeration in a single-room unit.

"Reverse cycle" means reversing the flow of the refrigerant so that the same unit delivers either heat or cold as required.

Ordinarily a room air conditioner absorbs heat from air inside the room (thereby cooling it), and releases this heated air outdoors. Air conditioning engineers had known for years that if they could reverse the flow of the refrigerant, the unit would absorb heat from outdoor air (even in freezing weather), and release this heated air indoors.

But no one had been able to work out the problem in a single-room unit.

The solution depended upon the development of a system that would withstand the strain of constant reversing, without failure.

Philco engineers worked more than three years on this problem. They even designed an automatic machine to test valves at an accelerated rate. Finally, they evolved a valve that worked freely and faithfully for more than 100,000 cycles—equivalent to 133 years of use.

Thus was born, from Philco Laboratories, the first air conditioner that heats the same size room it cools, and heats as fast as it cools.

This new development, coupled with Philco's superior system for wringing moisture out of air and replacing stale air continuously with fresh, filtered air, now provides complete year-round comfort from coast

to coast in areas not dependent on central heating.

And in other parts of the country, it now makes comfort possible for the first time on chilly days of spring and fall, without need for central heating.

It is this kind of fundamental development that has made Philco the leader in Room Air Conditioning for 17 straight years. It typifies the integration of Research and Application that is responsible for Philco's dominant position in other industries, as well—Television...Radio...Electric Ranges... and Refrigeration.

And the end is not in sight!



ANOTHER FIRST FROM PHILCO LABORATORIES

BUSINESS AIDS

Each month this column will list recent acquisitions, including manufacturers' literature and other special announcements of interest to our readers—though no statement should be regarded as a product endorsement

Copies of literature may be obtained by addressing requests to the company named, or to Business Aids Editor, Banking, 33 S. Clark Street, Chicago 3, Illinois.

Management Tool

To provide the managements of business and financial institutions with findings of social science research applicable to their problems and needs, The Social Science Reporter has been established. It is published and edited by Dr. Rex F. Harlow, West Coast public relations consultant who was formerly a professor at Stanford University. Four pages in size, each issue usually contains six abstracts of selected research studies written in practical, down-to-earth language. It is published semi-monthly.

Material for The Reporter is drawn from four main sources: (1) learned periodicals, including 67 scientific journals; (2) interviews with leading social scientists on the research work they are doing; (3) attendance at papers presented at scientific meetings, seminars, etc; (4) doctoral and masters' theses on pertinent social science subjects.

Subscribers include such business and financial concerns as American Telephone & Telegraph Co., United States Steel Corp., Bank of America, General Electric Co., Metropolitan Life Insurance Co., and many others.

Subscription price of the publication is \$250 a year, with additional multiple subscriptions costing \$25 each. The publication's address is 365 Guinda St., Palo Alto, Calif.

No Carbon Required

A NEW PAPER, providing multiple copies of business forms without the use of carbon paper inserts, has been announced by the National Cash Register Company. The treated paper is coated with a colorless chemical and should greatly increase efficiency in handling forms. Called NCR paper, it can be used to make up to seven copies on an electric typewriter and up to four hand-written copies, according to the manufacturer. For further information, write to the company at Dayton 9, Ohio.



New Model Typewriter

THE NEW Underwood 150 typewriter meets the most sensitive keytension preferences of individual secretaries, and features "triple touch tuning" as one of more than 40 new improvements, according to the Underwood Corporation. Adjustments give 28 variations for personal touch preferences. Margins are self locking and can be set simultaneously, without moving the carriage, for automatic adjustment to short, medium, or long letters. All operating features are key-board controlled, and maximum machine protection is obtained through guards which protect the mechanism, yet permit easy type cleaning. Additional information available

from the *Underwood Corporation*, One Park Avenue, New York 16, New York.

Employment in Banking

THE United States Department of Labor has added to its "Occupational Outlook Series" a bulletin entitled Employment Outlook in Banking Occupations. It is a comprehensive report covering banking functions, the training and qualifications necessary, earnings and working conditions, and employment trends and outlook. It includes many illustrations, as well as charts, which show various data, including average earnings for different posiitions in banks in the several sections of the country. This booklet, called United States Department of Labor Occupational Outlook Series Bulletin #1156, is available for 30 cents from the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D. C.

Safekeeping

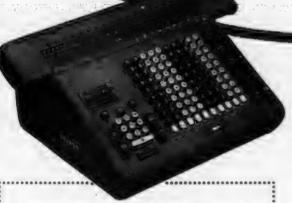
THE Treasur-Vault System of Safekeeping for nonnegotiable documents, records, and Savings Bonds is a practical supplement to the safe deposit box. It features a documentsize envelope easily stored in regulation fireproof locked cabinets. The envelope contains two compartments and is double-sealed by the customer, who signs his name across the seals. They cannot be broken without mutilating the signature. The customer pays the bank \$1 a year, and can withdraw his envelope any time, but each re-deposit costs 50 cents, since the envelope is destroyed and a new one issued to further information, For write The Treasur-Vault System of Safekeeping, 1 Metropolitan Avenue, Bellmore, New York.

WRITES SMITH COUNTY BANK OF CARTHAGE, TENNESSEE—

"Uneven interest periods, odd amounts, unusual discount rates all are short work for the Friden.

"From the beginning, despite lack of operator familiarity, your calculator cut our time required for interest computations to less than one third."

> (signed) Russell H. Pitchford Cashier



Automatic figuring ability of the Friden Calculator is "like money in the bank" to any size bank because...

The Friden performs more steps in figurework without operator decisions than any other calculating machine ever developed "BANKS... must invest equipment dollars carefully to obtain maximum return, and for only a few cents a day we have the finest in calculators with the Friden," Mr. Pitchford writes.

"New uses accrue to us almost daily. The fully automatic Friden Calculator figures investment yields, amortization, premiums and our payrolls. We have also applied it to computations of interest on Certificates of Deposits, and in our Savings Department, and it has proven a valuable aid in General Accounting.

"Many of the bank's customers have seen our Friden in action, and we feel we have benefited from customer appreciation that we have the best in mechanical equipment here for their convenience."

See the Friden now...see why automatic figuring the Friden way is your best answer to high clerical costs, employee turnover, inaccuracies. Call in your nearby Friden Man! Friden builds calculators in a wide price range, in every size, for every figuring need...Friden sales, instruction and service throughout the U.S. and the world.

Let the Calculator do your bank figure-thinking

on, 16,

of pa-

tin

ing ca-

rkent des

rts.

let, of ries 30

of

nt-

ife-

cu-

nds

afe

ent-

gu-

The

nts

cus-

oss

ken

ure.

1 a
velosit
e is

ion,
of

ING



Are there DIFFERENCES in Used Car Guides?

Yes, there are decided differences in used car guides—in their methods of reporting the market to their subscribers, in frequency of publication, in comprehensiveness of their contents. Just as in other businesses, one stands out: the NADA Official Used Car Guide, "recognized authority in the field."

Why do the experts in the automotive trade place more confidence in the NADA Official Used Car Guide than in any other publication of its kind? The basic reason is that they can depend on it, because:

It is factual, based upon actual sales reports from dealers

It is current, published every 30 days

It is *localized*, with separate editions for each of six regions

It is complete, an encyclopedia of used car information

It is accurate, founded upon fact and compiled by experts

These big differences are what make the National Automobile Dealers Used Car Guide Company the largest and most successful publishers of used car guides today—serving you dependably, intelligently and at reasonable cost.

only \$7 per year (quantity prices on request)

Published by ---

NATIONAL AUTOMOBILE DEALERS USED CAR GUIDE CO.

1026 17th STREET, N.W. . WASHINGTON 6, D.C.

BANKING'S ADVERTISERS

June 1954

etna Life Affiliated Companies Cover II	LaMonte & Son, George 2
ir Reduction Company Incor-	Lamson Corporation 76 Lawrence Warehouse Company 97
perated	LeFebure Corporation 17
llis - Chalmers Manufacturing	Lifetimer Hoop-Type Window
Company 73	LeFebure Corporation 17 Lifetimer Hoop-Type Windew Clock Company 112 London & Lancashire Group, The 114
Ilison Coupon Company, Inc. 112	London & Lancashire Group, The 114
The	McGraw-Hill Publishing Com-
merican Bridge Company 121	pany, Inc 25
Illison Coupon Company, Inc. 112 merican Appraisal Company, The	Manufacturers Trust Company
merican Express Company. Cover IV	of New York 61
merican Magazine, The 4	Metal Products Engineering, Inc. 5
Company of Chicago 127 merican Security & Trust Company, Washington, D. C 122 merican Steel & Wire Com-	Mosler Safe Company, The13, 135 Murphy Products Company 69
merican Security & Trust Com-	Murphy Froducts Company 09
pany, Washington, D. C 122	National Automobile Dealers
merican Steel & Wire Com-	Used Car Guide Company 142
pany and Cyclone Fence Di-	National Cash Register Com-
pany and Cyclone Fence Division	Used Car Guide Company 142 National Cash Register Company, The
Australia and New Zealand Bank	The 24
Limited 118	National City Rank of New York.
Sanco Comercial Antioqueno 126	The 10
Sanco Comercial Antioqueno 126 Sank Building and Equipment Corporation of America 77 Sank of California National As-	The
Corporation of America 77	National Shawmut Bank of Bos- ton, The
Bank of California National As-	ton, The
sociation, The 18	National Tube Company 121
Bank of Montreal	New York Terminal Warehouse
Barnett National Bank of Jack-	Company 106
Sank of New South Wates 124 Barnett National Bank of Jacksonville, The 100 Broadway Plan Church Finance. 136	
Broadway Plan Church Finance. 136	Oil Well Supply Company 121 Orchid King, The 112
ourroughs Corporation 3, 55	Orchid King, The 112
Canadian Bank of Commerce.	Philes Corporation 139
Canadian Bank of Commerce, The	Pittsburgh Plate Glass Company 71
Central National Bank of Cleve-	Public National Bank and Trust
land	Company of New York, The. 116
Central-Penn National Bank of Philadelphia	
Chase National Bank of The City	Radio Corporation of America
Philadelphia	Radio Corporation of America and Subsidiaries 133 Ralston Purina Company 65
Citizens National Trust & Savings	Rambusch Decorating Company. 104
Bank of Los Angeles 136	Rand McNally & Company 99
Colorado Insurance Group 123 Columbia Steel Company 121	Recordak Corporation (Subsidi-
Commerce Clearing House, Inc. 32	Rambusch Decorating Company. 104 Rand McNally & Company. 109 Recordak Corporation (Subsidiary of Eastman Kodak Company. 20, 62, 63
	pany)
poration	Rifkin & Co., A.
Continental Illinois National	
Bank and Trust Company of Chicago	Safeway Stores, Incorporated . 137
Chicago	School Thrift, Incorporated 134
pany 4	Scudder Stevens & Clark Com-
Cummins-Chicago Corporation. 27	Safeway Stores, Incorporated . 137 School Thrift, Incorporated 134 Scudder Stevens & Clark Com- mon Stock Fund, Inc 127 Security-First National Bank of
Cunneen Company, The 19	Los Angeles 29
DeLuxe Check Printers, Inc 124	Standard Oil Company of New
	Jersey
Educational Thrift Service, Inc. 138	Standard Paper Goods Manufac-
Exline, Inc., William11, 112	turing Company 11
	Tax Publications Co., Inc 138
Federal Life and Casualty Com- pany	Tennessee Coal, Iron & Railroad
Fidelity and Deposit Company of	Company
Maryland 22	Texas Company, The 100
Maryland	
First National Bank of Chicago,	Todd Company, Inc 16
The	
Fort Worth National Bank, The 82	
Friden Calculating Machine Com-	United States Bronze Sign Com-
pany, Inc	United States Steel Company 121
Fuji Bank, Ltd., The	United States Steel Corporation
Fulton National Bank, The 122	
General Electric Company 15 Gerrard Steel Strapping Com-	United States Steel Export Com-
Gerrard Steel Strapping Com-	United States Steel Homes, Inc., 59
pany 121	United States Steel Products
Hammermill Paper Company 102 Hanover Bank, The 103	Company
Hanover Bank, The 103	United States Steel Supply Com-
Home Insurance Company. 128, 129 Hygienic Dental Manufacturing	Universal Atlas Cement Company 12
Company, The 104	
	Valley National Bank, Phoenix. 1
Insurance Company of North America Companies, Philadel-	Virginia Bridge Company 12
phia 8	
International Rusiness Machines	
Corporation	Weston Company, Byron 11
International Harvester Com-	deston Company, Byron
Irving Trust Company 11:	

The OUTLOOK and Condition of Business

(CONTINUED FROM PAGE 33)

body must adjust. Many businessmen have had no experience under such conditions. Many bankers have not operated under conditions in which supply and demand are in balance or in which supply exceeds demand.

"Most analysts call this period in our business lives an 'inventory adjustment,' and many think it has run its course. But we can be sure that competition will remain, and we must remember that competition is one of the important creators of our standard of living.

25

61

135

142

101

24

106

71

133

127

29

. 125

138

121

121

110 121

121

121

121

121 121

121

. 115 . 118

. 18

LING

"This is no time for fear. Prosperity and employment under a free government must always rest upon the business order. That is the challenge to us. In this conversion period, it is our responsibility to cushion the shocks and take up the slack. It requires that we take a new look, adjust our thinking to changed conditions, and be willing to finance business in its conversion."

Earning reports for the first quarter were better than expected, and unemployment dropped 260,000 last month, the first decline since the fall of 1953. The seasonal spring upsurge is, of course, in part responsible for the fact that more people are working.

Two big surprises which became fully evident last month were a whole series of plant expansion and modernization plans as well as the extent of the building and construction boom, which will be aided by a Federal outlay of nearly \$2-billion under the new highway aid law.

These two categories of spending have been principal mainstays of business activity and employment for years and they promise to fulfill that function again in 1954.

The fast and furious new equipment spree is partly based on the rapid technological refinements being developed in this day and age. As a result, a machine which represented the latest development five years ago, is obsolete today.

In an era of greater competition, as at present, the need for up-to-date machinery, therefore, is greater than it was several decades ago.

The highway program has a two-pronged aim. One is an attempt by the states to create a series of thruways to take the load off the otherwise antiquated highway system in the face of the growing number of motor vehicles.

Secondly, the Federal support is designed also to bring the traffic arteries of the nation, which had been neglected during the last war, to a point where they can more adequately take care of cars and trucks with higher speeds—and to provide a stimulus for construction and employment.

At a White House press conference, a reporter recently asked whether the conclusion was justified that an economic upturn was already under way and no further Government intervention would be needed. Weil—Mr. Eisenhower said—Government was never entirely free in these modern days from exercising some influence on the economy, with Government and quasi-Governmental organizations, the Federal Reserve Board, Treasury, interest rates, everything—so it was inescapable there was some effect of Government action upon the economy.

Now, just as he cautioned against too pessimistic an outlook some weeks ago—the President went on—he would caution against looking at this thing through too rosy glasses now. The economy . . . was a delicate affair, and it took watching every day, but he would say this: Of late, in his late reports, there has been a preponderance, he would say, of favorable factors over unfavorable; that was about all he could say.

Many of the optimistic appraisals that we get contain a note of caution. A few are emphatically cautious. Gerhard Colm, chief economist of the National Planning Association, says:

"The contraction which began last fall seems to have come to an end. The question now is whether business activity will turn up to resume the interrupted expansion or whether it will tend to move sidewise for some time

"The answer depends, first of all, on international developments. If the scheduled defense curtailment should continue, further adjustments will still be needed before the economy will be back on the track of needed expansion.

"While I do not foresee a downward spiral, in any case, the end of the inventory adjustment may not be the end of the slack."

The former chairman of the Council of Economics Advisers, Edwin G. Nourse, is actually fearful. To Banking's query he replied:

"I fear we are witnessing the false dawn of a nottoo-robust seasonal upturn, in which a residue of strength is synchronized with such new factors as tax relief, easy money, and easy optimism. I doubt that the mutual adjustments of commodity prices, labor costs, credit commitments, profit margins, and investment rates that were workable in the externally stimulated conditions of recent years will prove adequate to maintain peacetime high-employment prosperity in the years ahead. A considerable period of renegotiation and replanning will, I think, be called for. The rigor and duration of such a process has not yet even been realized by those businessmen, economists, and officials who think the economy is now making a solid bottom from which strong recovery and continuing peacetime prosperity will promptly follow."

Mr. Nourse is cautious, but he does not rule out good business for the rest of 1954.

For a banker's view we turned to WILLIAM R. BIGGS vice-president and economist of The Bank of New Confining his prognostication to the rest of 1954, Mr. Biggs commented:

"Inventory liquidation (at nearly a \$4-billion annual rate since last October) and a major decline in Federal Government expenditures (at nearly, \$\pi\$ \$10-billion annual rate lower than last year since November) in the

face of stable revenues have been the principal deflationary factors in the current business recession.

"Exceptionally stable personal incomes sustained, in part, by high capital and construction expenditures, in turn supported by an easy money policy have cushioned the decline.

"Government expenditures have already been reduced to an annual rate below the estimated 1955 budget level, and a period of stable or rising expenditures and of declining tax revenues may be expected. Inventory liquidation, too, should be largely completed by mid-year.

"Since there is reason to expect a continuation, for the rest of this year, of the sustaining factors mentioned above, it seems logical to conclude that business should stabilize and then improve in the second half of 1954."

Naturally all business forecasts nowadays are delivered "ex-war."

We find that WALTER E. HOADLEY, JR., a business economist with the Armstrong Cork Company, sees things much as does Mr. Biggs. And, like Mr. Colm, he adds a few words of caution, saying:

"Little further decline in general business is in prospect for the remainder of 1954. Very likely some moderate upturn will occur before the end of the year, and particularly if international tension should increase. The worst—but not all—of the general inventory correction now seems to have been completed. In the fall the delayed impact of recent Federal tax cuts should be more evident.

"Government expenditures in the second half of the year will be much higher than receipts, with resultant stimulating effects. Consumer buying can be expected to be well maintained but 'choosy.'

"Despite these encouraging signs, we must keep our perspective.

"In my opinion, the nation faces a continuing test—of products, processes, personnel, and values—over the next few years.

"Thus, the outlook is encouraging but also challenging to business and banking."

Since this country was discovered and developed by optimists, we turned to a real optimist, the author of the book, No Major Depression in Our Lifetime, and an expert in the textile and distribution fields, A. W. ZELOMEK.

Dealing with the outlook for the remainder of 1954 he says:

"General business during the current quarter, and possibly through the first half of the next quarter, will show very little change from the first quarter. However, it should be followed by a moderate upturn during the latter half of the third quarter, extending through the end of the year and into 1955.

eded normal inventory replacement, resulting tout very marked liquidation coupled with some increases in Government defense spending, will contribute to a more stable general business trend, possibly in the next 90 days, and lay the ground work for an upturn later on.

"Naturally, a worsening of the international situa-

tion, and greater American involvement would result in a sharper upturn. However, Government controls would be invoked much more quickly than they were following the outbreak of the Korean War.

"Disposable income (personal income minus taxes) will make a slightly better showing than total output, employment, payrolfs, and gross national product (business, government and consumer spending.)"

To look at the stock market of 1954 one must certainly conclude that there is much optimism around, regardless of what the politicians tell the voters this year.

Listen to CHARLES E. WILSON, former administrator of the NPA and onetime president of the General Electric Company.

"Those who are most violently crying recession and depression," he says, "are the same ones who foresaw doom in 1945... One of their predictions was of 12,000,000 unemployed, but what ultimately developed was a shortage of manpower." Looking into the decade ahead and as far as the year 2000, Mr. Wilson is a strong optimist on America's economic future.

Another confident statement comes from CARROLL M. SHANKS, president of the Prudential Life Insurance Company of America.

"There is altogether too much talk about recession," he states. The recent "threats of recession," in his view, were met by business itself through increased selling effort, including advertising and price reductions.

"I personally think consumer purchases in 1954 will exceed the 1953 figure . . . The difference between a boom and a recession hangs by the slender thread of the consumer's willingness to buy freely instead of to hoard."

Needless to add, an election-conscious Administration in Washington and a watchful Federal Reserve Board will not consciously rock the boat.

The executive director of The Twentieth Century Fund, J. Frederic Dewhurst, sees leveling off now but uncertainty ahead:

"In renaissance Europe no affair of importance was undertaken without first consulting a qualified astrologer.

"Today the economist has inherited his mantle and is expected by all and sundry to foretell the business future.

"Although modern forecasting deals with more relevant data than the movements of the stars, it is still true that no estimate of the future can be more than a guess, which the dictionary defines as a judgment based on 'evidence admittedly uncertain.'

"My own guess is that business is leveling off now and will experience no more than seasonal fluctuations for the rest of the year. But it won't surprise me if either an upward or a downward trend begins in the third or the fourth quarter; all of which adds up to an admission that I feel no greater confidence in predicting the business future than in picking the winner of a horse race."

WILLIAM R. KUHNS

lt ls re 3) it, si-d, is

or c-ad w 2,-as de a

M. ce

on rd ry

as lo-

ore is ore lig-

NG